DOLLARS AND WORLD PEACE

BY

KIRBY PAGE

Editor, The World Tomorrow

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DOLLARS AND WORLD PEACE

Chapter I

THE POLITICAL DIVISIONS OF HUMANITY

I. The Significance of Nationalism

Nationalism is at the same time the most unifying and the most divisive force in our modern world.[1] Nationalism is primarily an emotion, a way of feeling, a psychological experience. Race, language, religion, culture, common economic interests, natural boundaries—all these are important but no one of them is absolutely indispensable to nationalism. Most nations are composed of many races. Some nations have two or more official languages—Switzerland has three. Of all these factors, a common language is undoubtedly the most important. But, even

[1] The best discussion of this whole problem is probably that of Professor C. J. H. Hayes, "Essays on Nationalism."

so, a common emotion is the cement that holds a nation together.

Nationalism binds its own citizens together with bonds of common feeling and common endeavor. Although the old idea of the melting pot is somewhat misleading, the fact is indisputable that nationalism makes an incalculable contribution in the overcoming of the antagonisms aroused by different racial, linguistic, religious, cultural and economic backgrounds. The children of foreign-born parents tend to forget the age-old animosities and hatred of their elders. Americanism, at its best, is unifying and constructive.

On the other hand, nationalism is one of the most disruptive and dangerous factors with which we are confronted. It binds its people together and sets them against other peoples. It creates suspicion, fear, hatred and antagonism toward other countries. Nationalists are artists. Their pictures are usually distorted in four respects. Their own virtues and achievements are overstated, while their defects and failures are glossed over; whereas in picturing

other nations, the process is reversed, their good qualities and accomplishments are minimized and their vices are exaggerated. The result is that the picture we draw of ourselves is always more attractive than we really are, while our portrait of another nation fails to do it justice. The situation is made worse by reason of the fact that the other party is guilty of distortions of an opposite character. Thus we have four pictures, two of ourselves, and two of the other nation, none of which is an accurate reflection of the group concerned.

Let us give several illustrations of these distorted pictures, beginning with other people's opinions of themselves. "The European conspiracy," said Professor A. Lasson of Berlin, "has woven around us a web of lies and slander. As for us, we are truthful, our characteristics are humanity, gentleness, conscientiousness, the virtues of Christ. In a world of wickedness we represent love, and God is with us."[1] A German pastor expressed the opinion: "The German nation leads in the domain of kultur, science,

[1] "War Information Series," No. 5, p. 17.

intelligence, morality, art, and religion, in the entire domain of the inner life."[1] In his will Cecil Rhodes said: "I contend that the British race is the finest which history has yet produced." In an address in New York in 1917, the Honorable Alfred James Balfour said: "Since August, 1914, the fight has been for the highest spiritual advantages of mankind and without a petty thought or ambition."[2]

A Latin American thus describes the mother country: "Spain, to the grief of her detractors, has always displayed in her colonial policy a consistent greatness, a strong idealism, a legendary heroism."[3] Voltaire once referred to the French as "the whipped cream of Europe." The concluding words of Poincaré's book on the origin of the war are: "In contrast with Austro-German Imperialism, France became, in the eyes of the nations, the living representative of Right and of Liberty."

The pictures foreigners draw of us are equally

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[1] *Ibid.*, p. 14.
[2] Quoted in Beard, "Rise of American Civilization," Vol. 2, p. 646.
[3] Manuel Ugarte, "The Destiny of a Continent," p. 36.

distorted. One of our southern neighbors has described us as "rude and obtuse Calibans, swollen with brutal appetites, the enemies of all idealism, furiously enamoured of the dollar, insatiable gulpers of whiskey and sausages—swift, overwhelming, fierce, clownish."[1] An ultra-conservative French journal describes us in these words: "In Latin America the United States is trying to reduce her neighbors to economic fiefs, through the agencies of trusts, financial control, loans, and political intervention. . . . It makes little difference whether Democrats or Republicans are in power in Washington. For they do not represent two parties, but two plutocracies. . . . For the American Government now rests upon a monarchy of gold and aristocracy of finance. It is the prototype of that quantitative civilization that is striving to erect a new form of feudalism in the modern world."[2]

Let us now notice the picture we draw of ourselves, beginning with a sketch by Walter Hines

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[1] Quoted in Ugarte, p. XIII.
[2] Pierre Arthuys, in *La Revue Universelle,* January 15, 1923; reprinted in the *Living Age,* March 10, 1923, pp. 571, 576.

Page: "God has yet made nothing or nobody equal to the American people; I don't think he ever will or can."[1] Andrew Carnegie once said that he looked forward to the day "when five hundred millions, every one an American, and all boasting a common citizenship, will dominate the world—for the world's good."[2] "Prosperity," says Professor Thomas N. Carver, "is coming to us precisely because our ideals are not materialistic." Mr. David F. Houston said recently: "The United States is in a position of leadership in all the fundamental, idealistic, moral, and spiritual forces which make a nation great, and constitute a worthy civilization."[3] "The most thankless task in the world," says Langdon Mitchell, "is that of telling one's countrymen that anything whatever ails or is wrong with them. You are at once a grouch and a sour-belly. You are held to retard the wheels of progress."[4]

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[1] Quoted in "Alias Uncle Shylock," p. 165.
[2] Quoted by Beard, "Rise of American Civilization," Vol. 2, p. 205.
[3] *Harper's Magazine*, June, 1924.
[4] *Atlantic Monthly*, Vol. 133, p. 167.

The pictures we draw of other peoples are frequently distorted. A distinguished American professor, Wm. Roscoe Thayer, said: "This war sprang as naturally from the German heart and will as a vulture springs from its nest."[1] An American Judge said recently: "So saturated is the French temper with militarism that they think they can even boast of it without reproach."[2] In a letter to his son in December, 1917, Walter Hines Page said: "Except the British and the French, there's no nation in Europe worth a tinker's damn when you come to the real scratch. The whole continent is rotten, tyrannical, or yellow dog."

As a result of this widespread practice of exaggerating our virtues and minimizing our defects, while underestimating the good qualities of other peoples and exaggerating their vices, we get an utterly distorted picture of humanity. "Germany believes in Might. America believes in Right. A difference of only one letter, but

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[1] Quoted in *The American Mercury,* August, 1927, p. 417.
[2] Frederick Bausman, "Let France Explain," p. 13.

as far apart in meaning as hell from heaven."[1] So we are informed by the National Security League. The leading editorial in the *Ladies' Home Journal* for August, 1923, said: "There is only one first-class civilization in the world today. It's right here in the United States of America and the Dominion of Canada. . . . It may be a cocky thing to say . . . that relatively it (our civilization) is first-class, while Europe's is hardly second-class and Asia's is about fourth to sixth-class."

Some years ago Clutton-Brock published a notable article in *The Atlantic Monthly* in which he said that pooled self-esteem "is the chief danger that threatens our civilization. . . . We are all aware of our private vices, even of individual self-esteem and its dangers; but this great common vice, this pooled self-esteem, we still consider it a virtue and encourage it by all means in our power."[2]

The danger inherent in the suspicion, fear and hatred thus generated is greatly accentuated

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[1] Correspondence Course in Patriotism, No. 2.
[2] December, 1921, pp. 721-731.

by the prevalence of four political dogmas that have become attached to nationalism, namely, the doctrines of national interest, national sovereignty, national honor and national patriotism. Each of these deserves careful analysis.

II. National Interest

According to the doctrine of national interest, the state has no higher duty than to preserve its own existence and to advance the welfare of its own citizens. To this end nations shape their policies. Statecraft usually operates on a basis of self-interest. By a thousand devices, political and economic, nations seek to safeguard and further their own interests. Tariff policies, for example, are usually formed without taking into account their effects upon other countries. Monopolies—official, semi-official or private—are often used as a means of taking advantage of other peoples.

Immigration policies are likewise determined in the light of self-interest. Large numbers of aliens are admitted if their presence is deemed beneficial to the citizens of the country to which

they have come. Pioneer communities welcome newcomers because their help is needed in the development of the country. As nations become mature, more desirable aliens are permitted entrance in larger numbers than those classed as less desirable. The flow of goods and peoples to and from a given country is usually regulated by self-interest.

Nations not only control their territory and resources in such a way as to advance their own welfare, they often attempt to dominate the policies of other countries. Numerous illustrations could be cited where pressure and intimidation were used to secure favorable treaties and concessions from weaker powers. Much of Asia and Africa has been exploited in this way. The whole colonial enterprise has been carried on primarily for the profit of the mother-country.

Governments are supposed to protect the interests of their citizens in other lands. This is the primary duty of diplomats. If ordinary diplomacy fails, then threats are made or violence used. "The state's highest law," says one historian, "is that of self-assertion. . . . There-

fore, one must assert that, of all political sins, the worst and most contemptible is weakness; it is the sin against the holy ghost of politics."[1] Armed intervention in the affairs of other nations is a frequent occurrence. All the great powers resort to it more or less often. The United States Government has intervened with armed force in Latin American countries thirty times since 1898, an average of once a year.

Under the doctrine of national interest, governments have the right to wage war when the property and lives of their citizens are jeopardized. Many wars have been fought over property rights. Indeed, we went to war with Germany primarily because the property and lives of our citizens on the high seas were being destroyed. The lives of our citizens could have been safeguarded by keeping them out of the barred zone, as Secretary Bryan earnestly advocated, but this would have been regarded as extremely humiliating. Moreover, the stopping of our very profitable commerce in war supplies

[1] Treitschke, quoted by A. B. Hart, "America at War," p. 77.

would have cost our traders millions of money. When Germany refused to abandon unrestricted submarine warfare, our Government felt obliged, under the doctrine of national interest, to take up arms.

Nations not only go to war in defense of life and property, they make use of whatever weapons they think will aid in winning the war. Once the conflict is started, the law of military necessity prevails. The German people sanctioned the submarine atrocities because they believed the war was one of self-defense and could not be won without the submarine. The Allied peoples sanctioned the even more terrible blockade for the same reason. They regarded the starvation of Germany as a necessary part of winning the war. Because they were under the sway of the doctrine of national interest, the belligerent peoples accepted the law of military necessity.

III. National Sovereignty

The nation is the ultimate or final political unit and has the right to determine its own poli-

cies without external coercion. This is the doctrine of national sovereignty. There must be no power above a nation. A super-state is regarded with abhorrence by most nationalists. No outside interference will be tolerated. Consequently a nation must be prepared to meet any possible antagonist. A recent illustration of this philosophy is found in an editorial in *The Army and Navy Journal:* "Shall the American people remain quiescent in inferiority? They will not! Shall they traverse the seas only with the consent of Great Britain? They will not! Shall their commerce, which is greater than that of Great Britain, and their Merchant Marine which is steadily growing in volume, carry on at the mercy of the London Admiralty? No! . . . We call on the nation to direct Congress to provide a Navy which will make the United States dominant afloat as it would have been but for the Washington conference. We urge that notice be served that when the Washington Treaty terminates we will not renew it, and that we enter into no more futile armament conferences! And as a part of our national defense

necessities, we appeal for the enlargement of the Army which the protection of our interests likewise demands."[1]

It seems rarely to have occurred to statesmen that sovereignty leads to lawlessness. Yet this is inevitably the case. If each of the sixty nations of the earth is sovereign, with the right to formulate its own program of action, then it naturally follows that, in relation to each other, nations are in a condition of anarchy, the absence of law and governmental processes. The real significance of the doctrine of national sovereignty will be more apparent if we look at its historic roots. While nationalism is not many centuries old, sovereignty is a very ancient doctrine. In primitive times the tribe was sovereign and acknowledged no higher authority than its own desires. Later in social evolution, the city-states of Greece regarded themselves as sovereign, as did the feudal baronies of the Middle Ages.

Following the Declaration of Independence,

[1] August 6, 1927, p. 1077.

the thirteen American colonies claimed sovereignty, not for the Continental Congress, but for each state respectively. The Articles of Confederation specifically declared that "each State retains its sovereignty, freedom and independence." As is well known, the doctrine of state sovereignty was so widely accepted that the Constitution of the United States barely escaped rejection by the state conventions. A change of one vote in eleven would have defeated ratification in the important states of New York, Massachusetts, and Virginia, as well as in New Hampshire and Rhode Island, and almost certainly would have prevented the formation of the Federal Union. The classic words of Patrick Henry are worth repeating here: "We are come hither to preserve the poor Commonwealth of Virginia, if it can be done: something must be done to preserve your liberty and mine. . . . This Constitution is said to have beautiful features; but when I come to examine these features, sir, they appear to me horribly frightful. Among other deformities, it has an awful squinting; it squints toward monarchy. . . . Your

President may easily become king. . . . I would rather infinitely, and I am sure most of this Convention are of the same opinion, have a king, lords, and commons, than a government so replete with such insupportable evils. . . . As this government stands, I despise and abhor it. . . . I have, I fear, fatigued the Committee; yet I have not said the one one hundred thousandth part of what I have on my mind, and wish to impart."[1]

Little did the advocates of state sovereignty realize how narrowly they escaped a supreme tragedy. The history of sovereignty before and after their day, however, reveals the fact that sovereignty—the right to do as you please—has always been accompanied by violence and war, whether the units were tribes, cities, states, or nations. Indeed, the very idea of sovereignty is a negation of law, whereas groups that are under law to that degree cannot be sovereign.

It should be pointed out that in actual practice the doctrine of national sovereignty is subjected

[1] Jonathan Elliott, "Debates on the Adoption of the Federal Constitution," Vol. 3, pp. 45, 46, 58, 59, 546.

to drastic limitations. Nations do not have the right to act as they please in all respects. Customs, traditions, and treaty obligations restrict their freedom of action in many important ways. Yet the tacit assumption, on the part of statesmen as well as the populace, that a nation is absolutely sovereign and has an unlimited right to seek its own interests by following the policies that it deems wise and efficacious, is utterly dangerous and if perpetuated will have fatal consequences. Sovereignty leads to anarchy, and anarchy produces war.

IV. National Honor

Nations are still in the dueling stage of honor. There are an astonishing number of parallels between duels and war.[1] A century ago in the United States and most of Europe dueling was widely prevalent. When Dr. J. G. Millingen wrote his famous history of dueling in 1841, he felt obliged to say: "To record the duels that

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[1] See "The History of Dueling," by Dr. J. G. Millingen, 2 volumes, 1841; "The Only Approved Guide Through All the Stages of a Quarrel," by Joseph Hamilton, 1829.

have taken place in the United States of America would require a ponderous work. They not only have been very frequent, but in general marked with a character of reckless ferocity." An article in the *New International Encyclopædia* says: "In no part of the world was dueling so earnestly engaged in as in America." A Vice-President of the United States (Burr) killed a former Secretary of the Treasury (Hamilton); a Chief Justice of the Supreme Court of California (Terry) killed a Senator from California (Broderick); a member of Congress (Cilley) was killed by one of his colleagues (Graves); while among the numerous duels between army officers none was more famous than the one between Stephen Decatur and James Barron, in which the former was killed. General Andrew Jackson, later President of the United States, wounded Charles Dickinson in a duel.

Interestingly enough, duels were known as affairs of honor. If a gentleman was insulted by an equal, his honor could be protected only by fighting a duel with his assailant. No matter how trivial the incident, if it was regarded as

reflecting upon personal honor, custom demanded a challenge to mortal combat. "The duel," said an anonymous American writer following the Hamilton-Burr affair in 1805, "is the demand of insulted feelings, the reparation of injured honor, the only recourse of violated character against malevolent and unworthy insinuations and aspersions. . . . In every view of the subject we are struck with the utter impracticability of forming legal prohibitions of the practice of the duel. . . . If every man is allowed to be the guardian of his own honor, to hold every other man personally responsible who shall calumniate or insult him, such offenses must thus in some degree be restrained, because few men will wantonly expose their lives for the gratification of insulting an adversary." In 1831 two Missourians, Thomas Biddle and Spencer Pettis, were reckless enough to court sure death by fighting with pistols at a distance of five feet. Both gentlemen went to their reward.

An elaborate ritual grew up about the institution of dueling. The whole affair must be conducted according to binding rules of etiquette.

The French Code of Honor, which was widely accepted, had 84 separate articles, the enumeration of which requires 16 pages of fine print. The Royal Code of Honor, which originated in Ireland, contained 60 articles, while a Southern gentleman drew up a code of 39 articles.

Some of these provisions are interesting and significant. "When the lie direct is the first offense, the aggressor must either beg pardon in express terms, exchange two shots previous to an apology, or three shots followed by an explanation, or fire on till a severe hit be received by one party or the other. . . . No apology can be received for a blow. . . . All imputations of cheating at play, races, etc., to be considered equivalent to a blow, but may be reconciled after one shot, on admitting their falsehood and begging pardon publicly. . . . For being intentionally spit on; for having wine, snuff, etc., thrown in the face, no apology is admissible, but redress must be sought by the duel, if the party aggressing rank as a gentleman. . . . No gentleman may notice the insulting language of an inferior. . . . Any insult to a lady under a gen-

tleman's care or protection to be considered as, by one degree, a greater offence than if given to the gentleman personally."

In 1829 an opponent of dueling confessed that "we found it was too generally considered that a practice sanctioned by time and precedent, which has withstood the raillery of the satirist, the terror of penal laws, and the admonition of the pulpit, nay, the fear of a future state, could never be abolished." Since dueling was destined to endure through all time, "we were next induced," says the same writer, "to try if we could lessen its attendant evils." And so he formulated a revised code of honor, which received the hearty endorsement of the Marquis of Wellesley, the Duke of York, and other notables. We now quote from this more humane code: "When bosom friends, fathers of large or unprovided families, or very inexperienced youths are about to fight, the Seconds must be doubly justified in their solicitude for reconciliation. . . . In choosing the scene of action, special precaution should invariably be used, to prevent the necessity for carrying wounded gentlemen over walls, ditches,

gates, stiles, or hedges; or too great a distance to a dwelling. . . . No boast, threat, trick, or stratagem, which may wound the feelings, or lessen the equality of the combatants, should ever enter into the contemplation of a gentleman."

The parallels between dueling and war were pointed out very effectively by an anonymous writer in Baltimore in 1847, in an earnest defense of the former. "Wars will be just and holy," he said, "whenever waged in defence of our rights—when waged against insolence and oppression. And if collective bodies of men—if nations are sensible to insult, to aggression of their privileges, to any attempts at tarnishing their fair name and honor, who can deny to individuals the possession of similar sensibilities? Are not our feelings equally dear to us as units, as when in a collective or national capacity? Show me a man who quietly pockets an outrage done to his individual honor, and I will point to you one who will sell his country for thirty sheckels. . . . What legislation, what stoical assumption of contempt can render stingless and harmless the barbs of such poisoned shafts? If

there be no redress, then indeed may we echo the agonized ejaculation of Hamlet: 'O that the Almighty had not set his canon against self-slaughter!' . . . The duel is a sharp but a salutary remedy for rude and offensive conduct, and its most inveterate opponents must admit that wherever encouraged, it has produced at least a marked courtesy and polish of manners. Dueling, like war, is the necessary consequence of offence; and when the cause shall have ceased, the effect will no longer have existence. When individuals, as well as nations, shall have learned to treat each other with respect, the sword and the fire-arm shall be of the number of things which characterized a more barbarous period of time."[1]

A similar argument was used by a South Carolinian in 1858 in these words: "If an oppressed nation has a right to appeal to arms in defence of its liberty and the happiness of the people, there can be no argument used in support of such an appeal, which will not apply with equal force

[1] "The Code of Honor," or "The Thirty-Nine Articles," by A. Southron, pp. 21, 22.

to individuals. How many cases are there, that might be enumerated, where there is no tribunal to do justice to an oppressed and deeply wronged individual?"[1]

In this country individuals have ceased to fight duels in defense of honor, but many of the old arguments are still used in support of war on behalf of national honor. It is widely assumed that a nation may be dishonored by what other nations do to it. Mr. Leo Perla, in his volume on "What Is National Honor," has listed 136 types of national dishonor, including insults to the flag, refusal to make apology demanded, disregard of diplomatic customs, loss of prestige, diplomatic defeat, being compelled to abandon an attitude hitherto vigorously maintained, refusal to pay indemnity claims, failure of foreign government to protect lives and property of our citizens in that country, discriminations against our citizens residing abroad.

Insulting words must be retracted, disrespect for our symbols must be atoned for with an

[1] John Lyle Wilson, "The Code of Honor," Charleston, S. C., 1858, page 3.

apology, damage done to our property must be adequately recompensed or we are likely to declare war upon the aggressor. Most nationalists are extremely sensitive concerning national honor and feel that war is justifiable if the assailant refuses to apologize or to make amends for wrongs, or even alleged wrongs committed. "Modern wars," said the most famous of German historians, "are not waged for the sake of goods and chattels. What is at stake is the sublime moral good of national honor, which has something in the nature of unconditional sanctity and compels the individual to sacrifice humanly for it."[1] "The damage to our commercial interests by the destruction of one of our coast cities," said Theodore Roosevelt, "would be nothing as compared to the humiliation which would be felt by every American worthy of the name if we had to submit to such an injury without amply avenging it."[2] On another occasion Mr. Roosevelt said: "It is a preposterous absurdity for a league of nations to attempt to

[1] Treitschke, "Politic," 1:128.
[2] In an address to the War Naval College, June, 1897.

restrain even for a limited time one of its members from declaring war upon another when a question of Honor is raised."[1]

Rarely has a nation been willing to arbitrate a quarrel that it regarded as involving national honor. Like duelists of old, nationalists frequently believe that honor can be protected only by a challenge to mortal combat. So widespread and powerful is this conviction that kindly and intelligent men and women justify war, with all its attendant cruelties and injustices, as a means of defending national honor. And the arguments used to validate this action are almost identical with those formerly used to justify dueling. General Wm. Mitchell said recently: "No one dares slap the face of a champion prize-fighter in the pink of condition. No one will dare insult this nation or take its possessions if it is known that we can defeat any enemy approaching us. There lies the path of safety—and peace."[2]

As long as individuals were dominated by a

[1] *New York Times*, January 21, 1917.
[2] *New York American*, May 23, 1926.

false sense of honor, they fought each other over the most trivial matters. And nations will continue to wage war as long as the prevailing conception of national honor is perpetuated. In every crisis we are at the mercy of jingoes and extremists. Men will go to war under a sense of duty to protect national honor when they could not be made to fight for sordid commercial interests. National honor often becomes a smoke screen behind which are hidden the real purposes of governments. The explanations of war rarely agree with the real causes. If our government should think it necessary to intervene with armed force in Mexico in order to protect the property of our citizens, it would not appeal for volunteers to fight for oil. It would maintain that national honor is at stake. Most men will not kill for gain, but they will engage in indiscriminate slaughter on behalf of national honor.

V. National Patriotism

Patriotism, at its best, is one of the noblest of sentiments; at its worst, it is one of the most

destructive.[1] Love of one's own group frequently leads to enmity against other groups. The prevailing conception of patriotism is that it is the duty of a citizen to support his government in all controversies with other governments, regardless of the merits of the case. The famous words of Stephen Decatur, who was himself killed in a duel—"Our country! In her intercourse with foreign nations may she always be in the right; but our country, right or wrong"—are not only carried on the masthead of several leading newspapers and periodicals in this country, they represent the convictions of a great mass of people.

It is assumed that love of country must be expressed by loyal support of the government or administration in power at the moment. If these officials happen to believe in the use of armed force to avenge damages done to property of our citizens in other lands or to compel apologies for insults to our national honor, they may feel obliged to declare war, in which case

[1] See E. L. Shaver, "A Christian's Patriotism," Chicago Press; and Kirby Page, "Was Jesus a Patriot?"

every citizen is expected to support the government, even to the extent of killing the citizens of the enemy country—and this regardless of whether or not they are guilty or innocent. When Mexico refused to make an apology and salute our flag in the Vera Cruz incident, our sailors were required to bombard the city and kill innocent Mexicans.

Conscription in wartime is an almost inevitable outgrowth of current patriotism. Governments have the right to expect loyal support for any war they may embark upon, and, if such support is not forthcoming, to compel any able-bodied male citizen of fighting age to take up arms. So dominant is this conception of patriotism that even in times of peace many educational institutions require all male students to take military training for at least two years.[1] The enrollment in the voluntary Citizens' Military Training Camps has increased 385 per cent since 1921.[2]

Recently there has grown up in the United

[1] For full particulars concerning this point write to The Committee on Militarism in Education, 104 E. 9th St., New York City.
[2] *United States Daily*, September 8, 1927.

States the idea that citizens must not criticize the foreign policy of our government. The argument is frequently advanced that our officials are the only persons who know all the facts and alone are able to decide what is best under the circumstances. Several times recently President Coolidge has manifested resentment at criticism of his foreign policy.[1] In his speech before the Press Club in New York he objected to any newspaper comment which seems "to support the position of foreign governments. When such an attitude becomes known in the offending country, it is widely quoted there and, when other arguments have been answered, becomes their chief reliance for maintaining their position. It not only furnishes ammunition for our adversaries, but attacks our own forces in the rear. . . . . An American press . . . ought to be first of all thoroughly American."

Thus we are confronted with an astounding situation. Public officials are likely to be dominated by the prevailing conception of national

[1] See an important article by Willis Sharp, "President and Press," *Atlantic Monthly*, August, 1927, pp. 239-245.

interest, national sovereignty, and national honor; they may feel that in a given crisis armed intervention or a formal declaration of war is necessary; citizens must accept this decision without question or criticism and be ready to offer their own lives and those of their sons and husbands on the field of battle. The citizen may not believe in duels between nations, yet he is supposed to support his government in any war that may arise out of insults to national honor.

The situation is made even more menacing by reason of the fact that persons who refuse to accept the prevailing political dogmas and traditions are usually regarded as unpatriotic if not actually treasonable. Those individuals who believe that war is a futile, suicidal, unchristian and unnecessary means of seeking security and justice are the objects of bitter persecution. They are called all kinds of unpleasant names; they are frequently denied freedom of the platform and press; many of them have been forced out of their positions as educators, clergymen and social workers. They are often attacked by leading citizens. President Roosevelt had only

contempt for those persons who opposed military preparedness. "The parlor pacifist," he said, "the white-handed or sissy type of pacifist, represents decadence, represents the rotting out of the virile virtues among people who typify the unlovely senile side of civilization."[1] President Wilson expressed himself in these vigorous words: "What I am opposed to is not the feeling of the pacifists, but their stupidity. My heart is with them, but my mind has a contempt for them. I want peace, but I know how to get it, and they do not."[2] General Pershing, in referring to an individual who had pledged himself not to participate in any future war, said: "I consider that any citizen who signs such a pledge is guilty of a treasonable act, and I would favor a law disfranchising any such unworthy citizen."[3]

Thus we are confronted with an extraordinary paradox. Most people hate war. In no country is there any large proportion of the popula-

[1] "The Foes of Your Own Household," p. 288.
[2] Buffalo Address, November 12, 1917.
[3] "Church and College Denounce Pacifist Pledge," p. 1.

tion who delight in slaughter. Conscription and propaganda are indispensable to the waging of war on a great scale. Yet war creates more enthusiasm than any other event in our modern world. It is regarded as unpatriotic to oppose military preparedness and as treasonable to withhold support after war is declared.

The peril of the existing situation was vividly pointed out recently by Ambassador Houghton, in his famous address at Harvard, in these words: "Before a war is conceivable there must be an issue. And that issue, broadly speaking, is the outcome of a series of maneuvers by which the masses concerned are brought into positions of opposition. Obviously this maneuvering is not done by the masses themselves. Collectively and as individuals, they have little, if anything, to do with the subtle and gradual shifting of international relationships. Their interests are directed to the more humble and prosaic task of earning a living. The maneuvering is done by little groups of men called governments. These little groups seek constantly and naturally to gain supposed advantages of one sort and an-

other for their own nationals. Out of their efforts to enlarge or to strengthen or to maintain the interests entrusted to their charge the masses they represent are gradually maneuvered into positions which, to say the least, cannot easily be surrendered. If the process continues, sooner or later a situation arises in which an agreement between these small groups becomes impossible. Then, on the ground that their lives and families and property are somehow involved and endangered, these great masses of men and women, roused by every power of organized appeal and propaganda, are ordered under arms, and war follows. The entire process is in control of the smaller groups. They make the issue. They declare the war. The masses they control simply obey. Having put this power, or left this power, in the hands of their governments, they find themselves at the critical moment substantially helpless."

This astounding spectacle of vast multitudes doing with extreme enthusiasm the thing they most utterly detest arises out of the emotions kindled by the four portraits drawn by nation-

alism and by the four political dogmas upon which nationalism rests. As long as the respective peoples of the earth magnify their own virtues and minimize their own faults, while exaggerating the vices of other people and underestimating their achievements, and as long as the current ideas of national interest, national sovereignty, national honor, and national patriotism prevail—just so long will humanity be menaced with war.

Chapter II

THE ECONOMIC INTERDEPENDENCE OF MANKIND

The rapid growth of industrialism is a major characteristic of this age. Lindberg and Ford are its symbols. Distance is being annihilated. Mass production is making available vast quantities of goods. Science in the realms of communication, transportation, and manufacturing is laying the material foundations for an abundant life for all; but it is also creating a world situation which may lead to infinite tragedy for mankind. The world's industrial machine is constantly becoming more complex and more delicately adjusted, with the result that the wreckage caused by the dislocation of world trade is even more calamitous than the destruction wrought in war by shot and shell. Interna-

tional trade may be a blessing or a curse. Everything depends upon how it is carried on.

I. Volume of International Trade

Let us first consider the magnitude of the problem. During 1925 the combined imports and exports of 74 countries was more than 62

The Volume of International Trade in 1925[1]

(Values in millions of dollars, i. e., 00,000 omitted)

	Imports	*Exports*
United Kingdom	6,388.0	4,478.8
United States	4,226.6	4,909.8
Germany	2,958.1	2,094.1
France	2,096.6	2,164.9
Japan	1,055.7	946.1
Italy	1,041.1	727.0
Netherlands	986.1	726.0
Canada	890.3	1,283.1
Belgium	846.1	688.7
China	816.4	671.3
India	820.2	1,475.7
Argentina	801.3	793.1
Europe	18,598.6	14,408.0
North America	5,754.2	6,973.0
Asia	4,086.1	4,931.0
South America	1,657.1	1,831.2
Africa	1,166.4	1,004.0
Oceania	976.5	1,021.0
Total of 74 Countries	32,238.8	30,168.2

[1] J. J. Kral, "International Trade in 1925," published by the U. S. Department of Commerce, pp. 24-26.

billion dollars, as compared with 55 billions in 1924, and 49 billions in 1923.[1]

II. Imports of the United States

The principal *imports* of the United States in 1926, in the order of their value, were as follows:[2] rubber, silk, coffee, tea and cocoa, paper, nonferrous metals (chiefly tin, copper and lead), sugar, wool, petroleum, furs, jute. The value of our imports of each of these commodities was in excess of 100 million dollars. In the 50 to 100 million dollar class of imports were the following: hides and skins, fruits and nuts, precious stones, sawmill products, vegetable oils, oil seeds, tobacco, fertilizer, cotton manufactures, chemicals, flax and hemp, vegetable fibres. That is to say, we imported more than 50 million dollars' worth of 22 different products.

The countries that sold us the most products in 1926 were Canada first, Japan second, Malaya

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[1] J. J. Kral, "International Trade in 1925," published by the U. S. Department of Commerce, p. 5.

[2] Monthly Summary of Foreign Commerce of the United States, December, 1926, part 1, pp. 3, 4.

(Straits Settlement), United Kingdom, Brazil, Cuba, from each of whom our purchases exceeded 250 millions; Germany, Mexico, France, India, China, Philippines, Italy, Netherlands, a total of 14 countries from each of whom our imports exceeded 100 million dollars.[1]

In 1926 we imported crude rubber to the value of 515 millions, 314 millions of which came from the Straits Settlement, 87 millions from the Dutch East Indies, and 44 millions from Ceylon. Of the 443 millions' worth of silk which we imported, 340 millions came from Japan and 52 millions from China. We imported coffee to the value of 322 millions, of which 200 millions came from Brazil and 74 millions from Colombia. We purchased nonferrous metals from abroad to the value of 256 millions, chiefly tin and copper. Of the 104 millions which we spent for tin, 56 millions went to the Straits Settlement; while the 100 millions' worth of copper came primarily from Chile, Mexico, Canada, Portuguese Africa and Peru.

[1] Monthly Summary of Foreign Commerce of the United States, December, 1926, part 2, pp. 74, 75.

III. Exports of the United States

Our chief *exports,* in order of their importance, were: cotton, petroleum, automobiles and other vehicles, grains, iron and steel, coal, nonferrous metals, industrial machinery, tobacco, animal oils and fats, fruits and nuts, all of which exceeded 100 million dollars in value. Lower in the scale but above 50 millions were: meats, sawmill products, agricultural machinery, electrical machinery, leather, chemicals, making a total of 17 different exports, each of which exceeded 50 million dollars.

Our best customers were Canada, United Kingdom, Germany, France, Japan, each of whom bought upwards of 250 million dollars' worth from us; Australia, Cuba, Italy, Argentina, Netherlands, Mexico, China—a total of 12 countries, each of whose purchases exceed 100 millions.

Our chief export is cotton, the total value of which in 1926 was nearly a billion dollars. Five countries—United Kingdom, Germany, Japan, France and Italy—each bought upwards of 75

million dollars' worth of cotton from us. The value of our petroleum exports was in excess of half a billion dollars, the share of the United Kingdom being upwards of 125 millions. France and Canada each purchased approximately 50 millions' worth. Australia, Japan, China, Germany, Netherlands, Brazil, Italy and Argentina are each listed in the 15 to 30 million dollar class. We exported 356 millions' worth of automobiles and other vehicles, our principal customers being Australia, Canada, Argentina, South Africa and Brazil. The value of our exports of wheat and flour was 285 millions, the chief purchasers being the United Kingdom, Canada, Netherlands, Germany, France, Italy and Japan.

IV. The Future of Our Foreign Trade

The foreign trade of the United States is certain to expand considerably during the next decade, due to the fact that this country is becoming more highly industrialized each year. Our merchandise exports have increased from 1,157 million dollars in the period 1896–1900 to

4,809 millions in 1926; and our imports from 742 millions to 4,431 millions during the same period.[1] During the first six months of 1927 our total exports amounted to 2,310 millions and our total imports reached 2,124 millions.[2] The balance of international payments of the United States in 1926 was as follows: total credits, visible and invisible, 8,033 millions; total debits, 8,542 millions—an annual movement of valuable items approximating 16 billion dollars.[3]

Prosperity is increasingly dependent upon our ability to buy and sell overseas. We simply must secure huge quantities of rubber and other raw materials if our factories are to be kept going.[4] We must not only sell vast quantities of cotton and wheat, we must find customers for our surplus manufactured products. All industrial nations tend to produce more goods than can be sold at home. Henceforth the welfare of our citizens—farmers and industrial workers,

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[1] "Commerce Year Book," 1926, p. 84.
[2] Monthly Summary of Foreign Commerce of the U. S., June, 1927, p. 3.
[3] "The Balance of International Payments of the U. S. in 1926," U. S. Dept. of Commerce, 20c. An exceedingly valuable document.
[4] See Wm. C. Redfield, "Dependent America."

manufacturers and bankers, producers and consumers—is bound up with foreign trade.

There is another side to this question which is frequently overlooked in this country, namely, the rest of the world is in desperate need of our resources. Not only is our own prosperity dependent upon foreign trade, to a far greater extent must other nations rely upon our purchases and sales for their livelihood. It may help visualize the extent to which other nations are dependent upon us if we quote again the familiar figures which indicate our dominant economic position. With only 6 per cent of the world's population and about 6 per cent of the world's land area, the United States is producing the following proportions of the world's output: pig iron, 51 per cent; steel, 66 per cent; copper, 51 per cent; petroleum, 62 per cent; coal, 43 per cent; timber, 52 per cent; phosphate, 42 per cent; sulphur, 80 per cent; mica, 63 per cent; lead, 62 per cent; zinc, 64 per cent; cotton, 55 per cent.[1]

[1] See an article "America's Limitless Resources," by R. H. Edmonds, *American Review of Reviews,* Nov., 1926, pp. 505, 510.

V. Foreign Investments

Industrial nations tend to accumulate more capital than is required at home. When the money market becomes glutted, the surplus must be disposed of in other countries or the rate of interest will drop disastrously. For this reason the bankers of mature industrial countries are constantly seeking new outlets for capital in the undeveloped regions of the earth.

The national wealth of the United States has recently been estimated by the Federal Trade Commission at approximately 400 billion dollars. This sum is far in excess of any other country on earth, now or at any previous time. At the end of 1926 the total gold supply of the world was 9,180 million dollars, of which 44 per cent was in the United States.[1] Under all the circumstances it is inevitable that citizens of the United States should invest some of their surplus in other lands.

The increase in our foreign investments during the past decade has been phenomenal. In

[1] Federal Reserve Bulletin, April, 1927, p. 276.

1914 the United States was indebted to foreign countries to the extent of about five billion dollars, while our investments abroad were less than half this sum. A competent authority estimates that at the end of 1926 our foreign investments reached the stupendous sum of 13 billions.[1] These investments were distributed as follows:[2]

Europe	$3,596,700,000.
Canada	3,557,600,000.
Cuba	1,508,700,000.
Mexico	1,074,600,000.
Central America	205,200,000.
South America	1,973,300,000.
China, Japan and Philippines	713,500,000.
Miscellaneous	225,000,000.

The rate at which our investments abroad are increasing is indicated by the following summary of foreign borrowings in the United States during the past four years:[3]

1923	$ 543,639,764.
1924	1,589,130,900.
1925	2,206,018,650.
1926	1,891,963,861.

[1] See "America, the World's Banker," by Dr. Max Winkler, formerly vice-president of Moody's Investor's Service, published by The Foreign Policy Association, 18 E. 41st St., N. Y. C., an extraordinarily valuable study.
[2] *Ibid.*, p. 68.
[3] *Ibid.*, p. 57.

A leading financier of the country recently predicted that within thirty or forty years the foreign investments of our citizens will reach 50 billion dollars.

Returns from interest on our foreign investments approximate a billion dollars annually. Eventually this interest will have to be repaid in goods and services, just as the war debt payments must be made. At present we are loaning our debtors much of the money required to pay the interest due us. In the course of time, however, new loans will not be made unless we are receiving interest due on existing obligations.

Year by year we are penetrating deeper and deeper into the economic and financial life of the world. It is too late to turn back. International competition over raw materials and markets is becoming more terrific every year.[1] The peace of the world in the decades ahead will be determined primarily by what we do about our dollars in other lands.

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[1] See an important article on the struggle for oil, *Foreign Affairs,* October, 1927, pp. 89-105.

Chapter III

IS THE UNITED STATES IMPERIALISTIC?

President Coolidge, in his last Decoration Day address, said: "When this nation has been compelled to resort to war, it has always been for a justifiable cause. . . . No lust for conquest, no craving for power, no greed for territory, no desire for revenge has ever caused us to violate the covenants of international peace and tranquillity. We have robbed no people of their independence, we have laid on no country the hand of oppression." Mr. Otto Kahn, one of the leading bankers of the nation, said recently in a public debate: "I do not hesitate to say that never, in the thirty years concerning which I can speak from personal observation, have I encountered Imperialism in this country."[1]

[1] "The Myth of Imperialism," p. 3.

DOLLARS AND WORLD PEACE

I. Territorial Expansion

In an effort to discover whether or not we have ever been aggressive, it may be worth while to survey rapidly the various stages in the expansion of the United States. Two American diplomatists, Monroe and Livingston, purchased Louisiana—an area equal in extent to the original thirteen states—from France, without the knowledge or authorization of President Jefferson or the Congress of the United States.[1] Many historians are of the opinion that Napoleon could not give a legal title to this region. Henry Adams, for example, declared: "The sale of Louisiana to the United States was trebly invalid." Professor Edward Channing said: "In taking Louisiana we were the accomplices of the greatest highwayman of modern history, and the goods which we received were those which he compelled his unwilling victim to disgorge." Several modern historians sharply dissent from this point of view.

In 1810 an attempt was made to secure part

[1] See J. H. Latané, "American Foreign Policy," pp. 101-119.

of Florida from Spain. America "negotiated vainly, threatened war, and finally took forcible possession of this western portion of West Florida. In default of other means, or perhaps in preference to other means, the balance of West Florida was seized in 1813."[1] Spain and Britain both protested but to no avail.

As a result of the Mexican War, we secured a vast territory, including Arizona, New Mexico, Colorado, Wyoming, Idaho, Utah, Nevada and California. That we were the aggressors in this conflict is maintained by many historians and statesmen. Abraham Lincoln regarded the war as aggression on our part and sought to prevent it. On the floor of Congress, Joshua R. Giddings condemned the proceedings as "a war against an unoffending people, without adequate or just cause, for the purpose of conquest."[2]

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[1] H. H. Powers, "America Among the Nations," p. 44. In commenting upon Germany's defense of the invasion of Belgium on grounds of necessity, Theodore Roosevelt said: "England's conduct toward Denmark in the Napoleonic wars, and the conduct of both England and France toward us during those same wars, admit only this species of justification; and with less excuse the same is true of our conduct toward Spain in Florida nearly a century ago." *The Outlook,* Sept. 23, 1914, p. 171.

[2] Beard, "Rise of American Civilization," Vol. 1, p. 606.

General Grant strongly protested against our action. "For myself," he said, "I was bitterly opposed to the measure, and to this day regard the war which resulted as one of the most unjust ever waged by a stronger against a weaker nation. It was an instance of a republic following the bad example of European monarchies, in not considering justice in their desire to acquire additional territory."[1] In his "History of the American People," Woodrow Wilson refers to our "inexcusable aggression" in the Mexican War.[2] Cyrus Townsend Brady says the Mexican War was "the spoliation of a weaker power by a stronger, and is the one serious blot upon our national history. The conduct of the United States was wholly indefensible in a large part of the operations."[3]

The record of our dealings with the Indians is one that makes it necessary "to draw a black border around that page in American history." "The warfare of subjugation," say Mr. and

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[1] Louis A. Coolidge, "Ulysses S. Grant," p. 27.
[2] "History of the American People," Woodrow Wilson, Vol. 4, p. 122.
[3] "The Conquest of the Southwest," p. 4.

Mrs. Beard, "begun by the federal government in 1862, was continued for nearly thirty years, accompanied by cruelty, treachery, and injustice on both sides, the white man proving himself on the whole little if any above the red man in morals or humanity."[1] President Hayes, in his message to Congress in 1877, said: "Many, if not most, of our Indian wars have had their origin in broken promises and acts of injustice on our part."

In 1867 Alaska was purchased from Russia for the sum of $7,200,000. Hawaii was the first territory outside this continent to be annexed by the United States. In 1893, American citizens in the islands engineered a revolution which deposed the Queen. In his Presidential Message on December 18, 1893, Grover Cleveland said: "The lawful government of Hawaii was overthrown without the drawing of a sword or the firing of a shot, by a process every step of which is directly traceable to and dependent for its safety upon the agency of the United States,

[1] "The Rise of American Civilization," Vol. 2, p. 146.

acting through its diplomatic and naval representatives." The President sent his regret to the Queen for the "reprehensible conduct of the American minister." On February 7, 1894, the House passed resolutions 177 to 78, "condemning Mr. Stevens for illegally aiding in overthrowing the constitutional government of the Hawaiian islands." On May 31st the Senate, by a unanimous vote, declared that the Hawaiians should maintain their own government. Yet within five years we annexed Hawaii, over the protests of Great Britain and Japan. A month after Dewey's victory at Manila Bay, McKinley remarked to Cortelyou: "We need Hawaii just as much and a good deal more than we did California. It is Manifest Destiny."[1] We acquired Samoa in 1899 as a result of a deal with Great Britain and Germany, after having joined the former in a bombardment of certain Samoan villages.

As a result of the Spanish-American War, we acquired Porto Rico, Guam, and the Philip-

[1] Quoted by Robert McElroy, "Grover Cleveland," Vol. 2, p. 72.

pines, as well as a protectorate over Cuba. That this war could have been prevented and all our major demands secured by peaceful means is now admitted by many historians. In 1910, John W. Foster said: "In the light of Woodford despatches, we must conclude that had President McKinley displayed the same firmness as Grant and Cleveland, and continued to 'keep hold of the reins of diplomacy,' the Spanish War with its long train of consequences might never have come upon us."[1] Woodrow Wilson speaks of the Spanish-American War as "a war of impulse."[2] Professor E. J. Benton says: "Except for an uncontrollable desire for war on the part of the United States, diplomacy might, within all human probability, have accomplished the emancipation of Cuba. . . . In the opinion of nearly all writers on international law, the particular form of intervention in 1898 was unfortunate, irregular, precipitate and unjust to Spain. The same ends—peace in Cuba

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[1] Quoted by J. F. Rhodes, "The McKinley and Roosevelt Administrations," p. 64.
[2] "History of the American People," Vol. 5, p. 275.

and justice to all people concerned—in themselves good, could have been achieved by peaceful means safer for the wider interests of humanity."[1]

The way in which we secured the right to build the Panama Canal affords a good illustration of the extremes to which governments resort under the guise of national interest.[2] It will be recalled that Panama had been a province of Colombia for eighty years. In January, 1903, President Roosevelt negotiated a treaty with Colombia which gave the United States the right to construct a canal across the Isthmus. This treaty was unanimously rejected by the Colombian Senate. Thereupon a movement was initiated, of which high officials of the United States were cognizant, for the rebellion of Panama. Our warships prevented the landing of Colombian troops and the suppression of the revolt. This action enabled the revolutionists to

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[1] "International Law and Diplomacy of the Spanish-American War," pp. 95, 108.

[2] For an authoritative and documented account of this transaction, see "Roosevelt and the Caribbean," by Dr. Howard C. Hill, pp. 30-68.

gain complete control in Panama and to form a provincial government. Two days later this government was recognized by the United States—a record for speedy recognition. Fourteen days later a treaty was signed, by the terms of which the United States promised to maintain the independence of the Republic of Panama. In return for $10,000,000 and an annual subsidy of $250,000, the United States was granted the control of a zone of land ten miles wide extending across the Isthmus from Colon to Panama.

Concerning this transaction, an *Atlantic Monthly* article says: "This decisive result was of course, due to coercion by the United States upon Colombia—no less so, though less directly, than if war had been declared upon that state. It is a fact not to be denied or glossed over, but to be openly commended."[1] Professor Clarence H. Haring, of Harvard University, says in this connection: "The intervention of the United States was a clear violation of Colombian sover-

[1] H. H. Chittenden, *The Atlantic Monthly*, January, 1916, p. 56.

eignty and roused strong resentment in all parts of Latin America."[1]

In his Autobiography, Theodore Roosevelt says that if there had been no revolution in Panama he was "prepared to recommend to Congress that we should at once occupy the Isthmus anyhow, and proceed to dig the canal; and I had drawn out a draft of my message to this effect."[2] Speaking at Berkeley, California, on March 23, 1911, Mr. Roosevelt said: "I am interested in the Panama Canal because I started it. If I had followed traditional, conservative methods, I should have submitted a dignified state paper of probably two hundred pages to Congress, and the debate on it would be going on yet; but I took the Canal Zone and let Congress debate, and while the debate goes on the canal does too."[3]

In 1917 we acquired the Virgin Islands by purchase from Denmark. Part of the purchase price was the expressed willingness on our part

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[1] "These Eventful Years," Vol. 2, p. 373.
[2] P. 563.
[3] Quoted by Joseph Bucklin, "Theodore Roosevelt and His Time," Vol. 1, p. 308.

to see Denmark extend its "political and economic interests to the whole of Greenland."[1]

II. Aggressive Ambitions

Whatever the citizens of the United States may think of the record of the territorial expansion of their country, outsiders regard it as an aggressive one. Critics of our policy also point out that many of the most aggressive ambitions of our statesmen have not been realized. For example, repeated efforts have been made by various high officials of our government to acquire Canada. As early as 1782, Benjamin Franklin sought to secure this fair prize from Great Britain.[2] One of the primary causes of the War of 1812 was the eager desire of powerful groups of Americans to seize Canada, and during the period of hostilities two unsuccessful attempts were made to accomplish this end. Concerning this point, Professor and Mrs. Beard say: "The men who voted in 1812 for the decla-

[1] See Luther K. Zabriskie, "The Virgin Islands of the United States," p. 270.
[2] Latané, "American Foreign Policy," pp. 40-42.

ration of war on England represented the agrarian constituencies of the interior, and their prime object was the annexation of Florida and Canada. . . . Clay, in a blaze of enthusiasm, announced that 'the militia of Kentucky alone are competent to place Montreal and Upper Canada at your feet.' "[1] Calhoun predicted that within four weeks "the whole of upper Canada and a part of lower Canada will be in our power." On the floor of Congress, Josiah Quincy denounced the attack on our northern neighbors as "less defensible than the conduct of Captain Kidd, the pirate, and the West Indies buccaneers."[2]

In 1837 two unsuccessful revolutions occurred in Canada. The leader of one of these revolts, Wm. Lyon Mackenzie, fled to the United States, where he was received with great enthusiasm. When the British Royal Navy attacked the insurgents' steamship Caroline near the American shore of the Niagara River, a sharp protest

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[1] "The Rise of American Civilization," Vol. 1, pp. 393, 416.
[2] *Ibid.*, p. 422.

was filed by the United States Government, and for a few days war seemed imminent.[1] During the fourth decade of last century we had a serious controversy with England concerning our northern boundary. The slogan of the pro-war party in the United States was "Fifty-Four Forty or Fight," in spite of the fact that, in the words of Professor Latané, "no one had ever seriously maintained that the United States had a valid claim to the whole territory."[2] In 1866 armed bodies of Irishmen from New York undertook the invasion of Canada but were repulsed by Canadian volunteers. The Government of the United States also took prompt measures against the invaders.[3] In 1871 Secretary Seward issued an ultimatum demanding that Great Britain withdraw entirely from Canada. "To make the settlement complete," he said, "the withdrawal should be from this hemisphere, including provinces and islands."[4]

Time and again various officials of the United

[1] Latané, pp. 201-207.
[2] *Ibid.*, p. 231.
[3] *Ibid.*, pp. 433-434.
[4] *Ibid.*, p. 448.

States Government have advocated the annexation of Mexico. As early as 1825 Secretary Clay sought to purchase Texas from Mexico. A few years later Butler, American Minister in Mexico, advised President Jackson to seize the coveted territory by force.[1] In 1842 Commodore Jones, on hearing a rumor that war had broken out, seized Monterey Bay and temporarily hoisted the Stars and Stripes.[2] In spite of the enormous territory secured by the United States as a result of the Mexican War, many of our citizens were sorely disappointed. Bancroft thought that we should "rescue a large part of Mexico" by annexing it, while Cass urged the policy of rescuing the whole by this means.[3] Secretary Seward was the arch-advocate of territorial expansion. As early as 1846 he said: "Our population is destined to roll its resistless waves to the icy barriers of the North, and to encounter oriental civilization on the shores of the Pacific." Fourteen years later he elaborated this idea, as follows: "I can look southwest and

[1] Beard, "Rise of American Civilization," Vol. 1, p. 591.
[2] *Ibid.*, p. 603.
[3] Latané, p. 279.

see amid all the convulsions that are breaking the Spanish-American republics, and in their rapid decay and dissolution, the preparatory stage for their reorganization in free, equal, and self-governing members of the United States of America." He went further and predicted that the City of Mexico would be "the ultimate central seat of power of the North American people."[1]

III. Military Intervention

In 1914 a serious dispute with Mexico occurred. When Huerta failed to salute our flag by way of reparation for an alleged insult, President Wilson ordered the bombardment of Vera Cruz. The American forces captured that city and retained control for seven months.[2] At the end of 1916 a punitive expedition was sent into Mexico in the effort to capture the bandit Villa. The net result of this expedition was the expenditure of 130 million dollars and the irritation of all Latin America. For several years our gov-

[1] Latané, p. 418.
[2] See Nearing and Freeman, "Dollar Diplomacy," pp. 100-108.

ernment has been engaged in a continuous controversy with the Mexican government. Secretary Fall is not the only prominent official who has urged that we "go down and clean up Mexico."

Cuba, likewise, has been looked upon with covetous eyes by many of our statesmen. In his instructions to our new minister to the Court of Madrid in 1823, John Quincy Adams said: "In looking forward to the probable course of events for the short period of half a century, it seems scarcely possible to resist the conviction that the annexation of Cuba to our Federal Republic will be indispensable to the continuance and integrity of the Union itself."[1] Professor Latané says that following the Mexican War "our foreign policy assumed a much bolder and more aggressive character, and during the next fifteen years all manner of schemes for the southward extensions of our territory were suggested and many of them actually undertaken." Numerous attempts were made to annex Cuba to the United

[1] Latané, p. 287.

States, "both by purchase from Spain and forcibly by filibustering expeditions."[1] In 1854 our ministers to Madrid, Paris and London made the joint recommendation to our State Department that an offer of 120 million dollars be made to Spain for Cuba and expressed the opinion that if the offer should be refused, "we shall be justified in wresting it from Spain if we possess the power."[2]

Following the Spanish-American War, our troops occupied Cuba until May 20, 1902. Before we withdrew, Cuba was compelled to accept the so-called Platt Amendment, which gives us the right to intervene whenever we think it necessary, "for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property, and individual liberty."[3] Under this provision we have intervened on three occasions. We have also retained a permanent naval base at Guantanamo.

Many efforts have also been made by the

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[1] Latané, p. 291.
[2] *Ibid.*, p. 303.
[3] *Ibid.*, pp. 498-516.

United States to secure permanent control of Santo Domingo and Haiti. In his message to Congress in 1868, President Johnson advocated the annexation of Santo Domingo, and a joint resolution was introduced in the House but failed to pass.[1] President Grant also urged this procedure in his message of 1870. He actually negotiated a treaty of annexation with a puppet-president of that country, but it was rejected by the Senate. In his message of 1876 President Grant lamented the failure of his Santo Domingo policy because "the soil would soon have fallen into the hands of the United States capitalists."[2] In 1916 the United States landed troops in Santo Domingo and set up a military government which lasted until 1924. For eight years that country was ruled by officers of the United States Navy. Even at present the General Receiver of the Dominican Customs is an American citizen appointed by the President of the United States.

In 1915 American marines were landed in

[1] Latané, p. 419.
[2] Beard, Vol. 2, p. 352.

Haiti for the purpose of protecting the lives and property of our citizens.[1] In putting down the "insurrection" more than two thousand Haitians were killed by our forces.[2] Since that time the marines have controlled the government of that country. "American approval is needed," says Professor Paul H. Douglas, "for the enactment of laws, the revenues of the country are collected under the supervision of Americans, and the budget is drawn up by the American Financial Adviser. . . . The control over the Gendarmerie is in American hands, as are also the services of Health and Public Works, and Agriculture. Only Justice and Education are outside American control."[3] There has not been a meeting of the Haitian Congress for nearly a decade. An official of the Department of State confessed recently that "the American occupation of Haiti is one for which there is no strictly legal ground."[4]

[1] For an authoritative history of our occupation of Haiti see two articles by Professor Paul H. Douglas, *Political Science Quarterly*, June and Sept., 1927, pp. 228-258; 368-396.

[2] U. S. Senate, Haiti and Santo Domingo Select Committee, Hearings, Vol. 1, pp. 433, 434.

[3] "Occupied Haiti," p. 33.

[4] Sumner Welles, *The Atlantic Monthly*, Sept., 1924, p. 420. For a defense of our occupation see *The American Journal of Sociology*, Nov., 1926, pp. 353-366.

In referring to Haiti in a campaign speech at Marion in August, 1920, Mr. Harding said: "If I should be elected President . . . I will not empower an Assistant Secretary of the Navy to draft a constitution for helpless neighbors in the West Indies and jam it down their throats at the points of bayonets borne by United States Marines, nor will I misuse the power of the Executive to cover with a veil of secrecy repeated acts of unwarranted interference in the domestic affairs of the little republics of the Western Hemisphere, such as in the last few years have not only made enemies of those who should be our friends, but have rightfully discredited our country as their trusted neighbor."[1]

Since 1912 the United States Marines have controlled the government of Nicaragua, except for a brief period. In 1916 the Senate ratified a treaty with the Nicaraguan government, which at that time was under our control, giving us the right to construct a canal across that country. After an occupation lasting thirteen years, the

[1] New York *Times*, August 31, 1920, p. 12.

marines were withdrawn in August, 1925.[1] Within two months Chamorro, a defeated presidential candidate, staged a revolution and forced the president, Solorzano, and the vice-president, Sacasa, to leave the country. When Chamorro failed to secure recognition from the United States and other powers, he turned the executive office over to Uriza, one of his followers, who in turn called a meeting of the Assembly. This body elected Adolfo Diaz, a supporter of Chamorro, as president. Within three days Diaz was recognized by the United States. In November, 1926, Sacasa returned to Nicaragua and attempted to regain the office of which he claimed he had been illegally deprived. On December 23, Admiral Latimer, of the United States Navy, landed a force of blue-jackets, and later heavy reënforcements were rushed to the scene. In May, 1927, Colonel Henry L. Stimson, the personal representative of President Coolidge, issued an ultimatum to the effect that unless the Liberals, the followers of Sacasa, laid down their

[1] For a history of our occupation, see Nearing and Freeman, "Dollar Diplomacy," pp. 151-171.

arms, the United States forces would "disarm forcibly those who will not do so." All the Liberals yielded to this threat except a small body under the command of General Sandino. When Sandino was rash enough to attack an outpost of the marines at Ocotal, five American bombing planes with machine guns and bombs left "300 dead Nicaraguans for the vultures to feed on."[1] The situation is now well in hand, with the United States in complete control. A new presidential election is to be held in 1928.

Summary of Our Political and Economic Expansion

Before considering the question of our future policy, it may be well to summarize our record of expansion. In this connection the chart on pages 78 and 79, prepared by Professor Parker T. Moon, of Columbia University, is very revealing.[2]

In this brief review we have made no effort to assess the relative merits and defects of our

[1] See *The Nation*, July 27, 1927, p. 75; and *The Financial Chronicle*, July 23, 1927, p. 429.
[2] "Imperialism and World Politics," p. 524.

administrative control of other peoples. A very strong case can be made for our régime in the various dependencies. Beyond question, we have done a vast deal of good, as well as much evil, in the Philippines, Haiti, and elsewhere.[1] We have not gone into this aspect of the problem because we have been seeking light on the primary question as to whether or not the United States is imperialistic. Much of the imperialism of Great Britain has been benevolent, but this fact has not prevented numerous wars as a result of imperialistic rivalries. If one is willing to admit that the United States is imperialistic and to contend that imperialism should be defended and encouraged, we would reply that the dangers inherent in the system seem to us to be far greater than the resultant benefits.

This long survey of the record of our territorial expansion and of the numerous attempts to extend our sway over other regions, reveals certain things very clearly. We have on several

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[1] For a series of articles on "How American Business Lifts Backward Peoples to Health and Happiness," see *World's Work*, June-September, 1927.

	Area (*Square Miles*)	*Population*	*Commerce*
OUTLYING TERRITORIES			
Alaska	590,884	60,000	$ 88,905,000
Hawaii	6,449	307,000	188,541,000
DEPENDENCIES			
Philippine Islands	115,026	11,076,000	243,356,000
Porto Rico	3,435	1,347,000	172,478,000
Virgin Islands	132	26,000	2,559,000
Samoa	58	8,000	294,000
Guam	210	13,000	967,000
Wake and Midway Islands	29		
LEASED TERRITORY			
Panama Canal Zone, Guantanamo, Fonseca Bay, Corn Island	527	27,000	
Total Possessions	716,750	12,864,000	$ 697,100,000

NOMINALLY INDEPENDENT DEPENDENCIES			
Cuba	44,164	3,369,000	$ 724,595,000
Haiti	11,072	2,045,000	28,872,000
Dominican Republic	19,325	897,000	51,843,000
Panama	33,667	443,000	16,250,000
Nicaragua	49,200	638,000	21,797,000
Liberia	36,834	1,500,000	2,528,000
Total nominally independent dependencies	194,262	8,892,000	$ 845,885,000
Grand total	911,012	21,756,000	$1,542,985,000

occasions taken territory by encouraging revolution and by waging war. On other occasions we have resorted to threats and intimidation. Frequently we have been domineering and aggressive in our relations with our neighbors, with the result that in many quarters we are feared as a powerful bully who is careless about encroaching upon the rights of others. At the Williamstown Institute of Politics recently, Horace G. Knowles, former American Minister to Nicaragua, the Dominican Republic and Bolivia, said: "We have been guilty of violating the sovereign rights of neighbors and proceeding contrary to the universally recognized principles of international law. We have imposed our force upon weak, helpless and defenseless countries, and slaughtered thousands of their citizens. We have attacked them when they expected we would defend them. We have used the Monroe Doctrine to prevent sympathetic European nations going to their rescue when we abused them."[1]

[1] New York *Times*, August 23, 1927.

Chapter IV

A CONSTRUCTIVE FOREIGN POLICY

I. Strengthen International Agencies

The closer contacts between peoples brought about by the march of science will lead to more hostility or more coöperation. Effective coöperation requires adequate social machinery. Agencies for the peaceable adjustment of dispute must be available before the crisis arises if violence is to be avoided. For this purpose *permanent* agencies of justice are essential. The complexity of our modern world and the great variety of quarrels between nations make it necessary to create many types of international agencies. It is a serious mistake to suppose that any one type of organization is adequate to cope with all the international problems which arise.

Since the Locarno treaties probably represent

the high peak of diplomatic achievement, it may be well to examine the nature of the machinery which they created or made use of.[1] The chief signatories—France, Germany and Belgium—agreed to settle "all disputes of every kind" in one of five ways: The first method is that of *diplomacy* or direct negotiations between their respective representatives. A second device is *conciliation,* or friendly suggestions from a Permanent Conciliation Commission, consisting of one representative of each signatory and three representatives of other nations. This Commission was authorized "to elucidate questions in dispute, to collect with that object all necessary information by means of inquiry or otherwise, and to endeavor to bring the parties to an agreement." In case this Commission fails, the signatories agree to resort to one of the following practices. A third method is *arbitration,* that is by referring the dispute to an arbitral tribunal formed under the procedure of the Hague Convention of 1907; and by accepting the decision

[1] See George Glasgow, "From Dawes to Locarno," and Harold S. Quigley, "From Versailles to Locarno."

of the arbitrators. The fourth measure is *judicial decision,* that is, by referring the question to the Permanent Court of International Justice and by accepting the decision of this Court. In the fifth place they agree to refer any question not settled in one of the above ways to the *Council of the League of Nations,* and to accept its decision.

It is obvious that the success of the above mentioned agencies will be seriously affected by the presence or absence of well established customs and laws covering the matter in dispute. It is highly important, therefore, that an effective procedure be established for creating international law. Among the chief sources of international law are the following: long established customs, national laws, treaties, conventions. One of the great contributions of the League of Nations and the International Labor Office has been the calling together of numerous international conferences, out of which have come many general treaties or conventions, which, when ratified by the respective nations, have become international law.

Citizens of the United States who are interested in international friendship and coöperation will do well to examine carefully the record of our government on behalf of international organization. If we begin with conciliation, we discover that our government has been friendly to this practice, the most conspicuous illustrations of which are found in the so-called Bryan treaties which were negotiated with thirty nations.[1] In these agreements the signatories established permanent conciliation commissions of five members. These commissions were authorized to investigate all disputes and report the facts. The signatories agreed not to go to war for a period of twelve months, after which time they reserved the right of independent action. The chief value of such agreements is that they provide for adequate investigation of the facts and for a cooling-off period. As a matter of fact, none of these commissions has actually been called upon to investigate a dispute. All except three of these treaties—those with

[1] See R. L. Buell, "International Relations," p. 590.

Portugal, Denmark and Sweden—have been allowed to go by default through failure to appoint or reappoint the commissioners.[1] Within the past few weeks President Coolidge has filled the vacancies caused by the death of our representatives on the commissions with Great Britain and France. It is to be hoped that the entire personnel of these commissions may soon be appointed.

During its history the United States Government has resorted to arbitration in a large number of cases with twenty-five different nations.[2] These cases have involved a large variety of disputes, some of them of great importance. In spite of this fact, it must be admitted that the United States is a laggard in the matter of arbitration.[3] Professor J. W. Garner points out that "some 160 treaties of arbitration and conciliation have been concluded since the year 1910, and of these our country is a party to only two,

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[1] See an editorial in The New York *Times*, June 13, 1927.

[2] See a very valuable pamphlet—"An Analysis of Arbitrations to which the United States Has Been a Party," published by The American Foundation, 565 Fifth Avenue, New York City.

[3] See "Banishing War Through Arbitration," 47 pages, 10 cents, National Council for Prevention of War, Washington.

namely, one with Sweden and one with Liberia, and the few older treaties which still survive all contain the 'vital interest' clause. It is time for us to cease reproaching other countries until we ourselves catch up with the procession." It should be emphasized that the Bryan treaties are merely conciliation agreements and do not commit the signatories to arbitration. It is true that the United States has negotiated a number of arbitration treaties, but all of them exclude questions that "affect the vital interest, the independence, or the honor of the two Contracting States," and that "concern the interests of third Parties." Our government has frequently refused to refer matters in dispute to arbitration. A recent conspicuous case is found in the unwillingness of President Coolidge to arbitrate the dispute with Mexico. Whereas, numerous treaties have been negotiated between European powers in which the parties agree to settle all disputes by arbitration or some other peaceable method, the United States consistently refuses to bind itself to peaceable settlement of important controversies, for it is evident that any

really serious dispute is likely to be regarded as a matter of vital interest or national honor.

If the citizens of the United States really believe in the non-violent settlement of international disputes, they should insist that our government enter into all-inclusive arbitration treaties with older countries.[1] Theodore Burton, a distinguished member of the House of Representatives, says in this connection: "I regard treaties containing the vital interests clause as altogether ineffective. The words national honor are the worst, because any country can excuse itself from submission to arbitration on the ground that it is a question of honor." The editor of *The Atlantic Monthly* well says: "The way to war cannot be blocked as long as so-called questions of honor or vital interest are exempted. Honor is a chameleon colored by the words of the last speaker."[2]

The United States has been unwilling to sub-

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[1] For a contrary opinion, see "The Outlawry of War," by C. C. Morrison, pp. 68-70.

[2] See Bulletin No. 3, June 30, 1927, of The American Foundation, and The New York *Times*, June 12, 1927, p. 3, for similar statements on this point.

mit disputes to judicial decision (as distinguished from arbitration) or to abide by the decision of an international court. In 1916, Costa Rica and Salvador objected to the terms of a treaty negotiated between Nicaragua and the United States and took their case to the Central American Court of Justice. In separate decisions the Court ruled that the treaty between Nicaragua and the United States violated the rights of Costa Rica and Salvador, respectively. Notwithstanding the fact that the United States Government had played the leading part in the establishment of the Central American Court, it paid no attention to these adverse decisions, and although we were under no legal obligation to accept them, the blow to the Court's prestige was so great that it ceased to function.[1]

The United States Government offered to become a member of the Permanent Court of International Justice, but with reservations which, if they had been accepted, would have

[1] See Latané, "American Foreign Policy," pp. 553-555.

given us a privileged position in relation to the Court. We insisted upon retaining the right of veto, so that, unless we definitely consented, the Court would be prohibited from rendering an advisory opinion "touching any dispute or questions in which the United States has or claims an interest." As is well known, the members of the Court refused to admit us on these terms. Whereupon our government made no further effort to secure admittance.[1] And so we are on the outside of the Court and are making a very meager contribution to the strengthening of international judicial processes.

That the United States refused to enter the League of Nations is known to the whole world. It is widely assumed that a vast majority of the American people voted against the League in 1920. The seven million majority of President Harding was considered a mandate against entrance into the Geneva institution. Yet Candidate Harding had expressed himself strongly as

[1] Our reservations, together with the reply of the member of the Court, are reprinted in "From Versailles to Locarno," pp. 121-129. See a notable article on this point by Miss Esther Everett Lape, *Atlantic Monthly*, Oct., 1927.

favoring an "association of nations" and prominent Republicans had signed a round-robin urging votes for Harding on the ground that this was the quickest way to get us into the League. Moreover, a considerable majority of the Senate were in favor of entrance on some terms. Failure to agree upon reservations caused the defeat of ratification, but even with the unparalleled bitterness aroused by the debate, the final vote was 49 to 35 in favor of ratification. The refusal of President Wilson to accept the reservations demanded by the opposition prevented our entrance. It is now widely admitted that these reservations would have made very little difference in the effectiveness of our support of the League.

All the original arguments in favor of our entrance into the League still apply. If the future peace of the world depends upon the creation of international agencies of legislation and administration, as well as of adjudication, it is obvious that the League is an indispensable agency. The need for the League grows greater rather than less. Even the friends of the League

admit that it now has many grave weaknesses and some dangerous aspects. The record of history, however, makes it clear that perfect social institutions are never handed down as gifts from the gods. Effectiveness and stability are the results of slow, painful growth. Nations that stand on the outside, criticizing and placing barriers in the pathway of the League, are not making their maximum contribution to world peace. It is a source of satisfaction to point out that the United States is coöperating more and more—officially and unofficially—with the League. We will never be able, however, to carry our full share of responsibility for strengthening world organization until we are a full-fledged member of the League.[1]

II. The Outlawry of War

A vast deal of confusion would be avoided if it could be made clear that outlawry and abolition are not synonymous. Outlawry is only a step in the direction of abolition. What is the

[1] See "The Seventh Yearbook of the League of Nations," World Peace Foundation, Boston, 5 cents.

significance of outlawry? The most comprehensive answer is contained in a recent book by Charles Clayton Morrison.[1] At present war is an institution—well established, respectable, legal. The world is organized for war, not for peace. The right to wage war on behalf of its honor or vital interests is regarded as one of the most sacred privileges and duties of a nation. International law does not question this right. War has the law on its side, and the prestige. Warriors are objects of patriotic adoration, while pacifists are often regarded with contempt. So all-pervasive is war as an institution that peace will be an idle dream until the legal status of war is removed, and it is branded as a crime under the law of nations, just as dueling and piracy have already been outlawed. The delegalizing of war can be achieved through a general international treaty or by a series of treaties between two or more parties whenever the nations have the will to do so.

War as an institution must be supplanted by

[1] "The Outlawry of War," published by Willett, Clark and Colby, Chicago.

a system of international law, administered through a world court with affirmative jurisdiction. "War cannot effectively be displaced by anything but law—not by arbitration, nor by cutting down armaments, nor by military alliances with nicely balanced power, nor by a political league of national units, by deciding disputes through diplomats, nor by regional military pacts, nor by overwhelming force concentrated at a single world center—but by law, universally recognized and embodied in a court vested with authority to apply it to international disputes."

What are the sanctions, or means of enforcing the decisions of an international court? To which Dr. Morrison replies: "In the sense in which the term is used, there are no sanctions. The outlawry of war makes no provision for a sheriff. It has no place for an 'international police' to enforce obedience on the part of sovereign nations. It wholly repudiates the appeal to war as a means of keeping the peace. It confesses without apology that it entrusts its whole enterprise of peace to the good faith of the nations

who share in it." Great reliance is also placed in the pressure of external public opinion upon any government that may be tempted to be aggressive.

The outlawry of war movement has four planks in its platform: renunciation of war as a crime by international agreement, the creation and codification of an adequate body of international law, the establishment of an authoritative world court, reliance upon the good faith of the nations and the power of public opinion. *Outlawry is indispensable to the abolition of war.*

There is some danger, however, that those of us who believe in outlawry may claim too much for it. The peace movement will make a serious mistake if it concludes that the outlawry program is an adequate means of banishing aggression and violence between nations and of ushering in an era of international friendship and coöperation. Certain advocates of this movement look upon it as a *substitute* for other peace proposals. It is highly important, therefore, that we appreciate not only the tremendous

significance of outlawry, but also its serious deficiencies.

1. The first grave weakness of the outlawry program is found in its undue reliance upon juridical agencies, and its comparative neglect of political action. It is true that many of its advocates admit the value of international political agencies and concede that the League may become a useful organization. But they have said repeatedly that permanent international agencies of a political nature are not essential to the outlawry of war. Dr. Morrison, for example, contends that the only *prerequisite* of outlawry is the establishment of an international court with affirmative jurisdiction and the codification of international law. War must be supplanted, he says, by "an institution of peace conceived *not under political,* but under juridical categories. . . . The genius of the outlawry proposal is its thorough-going juridical character, as *contrasted* with all plans for political or diplomatic associations or leagues. . . . The outlawry proposal moves *wholly* on the juridical plane. . . . The essential basis of world peace

is a court of law and justice. . . . American political relationships with Europe should be only *ad hoc,* where her interests are clearly involved or her duty unmistakable. Her covenant relationship to Europe and the rest of the world should rest upon a juridical foundation *alone.*" Mr. S. O. Levinson refers to "the judicial system thus established" as "a *complete* substitute" for the war system. The outlawry resolution introduced in the Senate by Mr. Borah provides for the creation of judicial agencies but is completely silent concerning international political action.

Further discussion of the League or Hague Court, says Dr. Morrison, is "an uncongenial and sterile exercise. . . . The cause of world peace now urgently requires the complete detachment of the peace goal from the League system. . . . The League Court is not good for peace at all. . . . War may be gotten rid of without America's joining the League; indeed, America's joining the League may wisely be deferred until the League or the nations in the League join with the United States in doing

something fundamental about war." Joining the League or the Permanent Court of International Justice is "essentially irrelevant to the outlawry of war." In an editorial Dr. Morrison speaks of the outlawry movement as "a constructive rival to the League."

A judicial system is inadequate for the simple reason that courts deal only with legal matters, whereas many of the most serious disputes between nations are political in character. The proposal to remedy this defect by the codification of international law looks in the right direction but offers little hope for immediate relief. Even if existing international law should be codified, it would cover only a small proportion of the subjects under dispute between nations. An international conference of jurists and statesmen could make a notable contribution by creating new laws, subject to ratification by their respective governments.[1] But it is wholly improbable that within the next decade or two a

[1] For a summary of the progress made by the International Commission of American Jurists for the Codification of International Law, see an important article by James Brown Scott, in the *American Journal of International Law*, July, 1927.

sufficiently comprehensive body of international law can be created so that nothing but a world court will be required to settle peaceably all disputes arising between nations. Agencies of conciliation, arbitration, and political coöperation are just as urgently needed as are judicial bodies and for a long time to come will be called upon to deal with the most menacing international controversies. Legislation and administration are just as essential as adjudication. Political bodies are the source of most laws and are required for the administration of judicial decisions. Political bodies like the League of Nations and the International Labor Office are indispensable to world peace. These agencies as constituted at present are admittedly inadequate and in some respects are dangerous. Drastic changes in their spirit and structure are required, but the fact remains that international political agencies are just as sorely needed as are international courts. The Supreme Court of the United States could not have functioned effectually without the legislative and executive branches of the government. Nations will not abandon

the use of violence until adequate machinery is available through which they can maintain security and justice. To this end, international legislation, administration and adjudication are all essential.

If it is true that an international court alone is a prerequisite to outlawry, it is also true that not even a court is essential. The various powers could enter into an international agreement declaring war to be a crime without making any provision whatever for the settlement of disputes that may arise between them. They could do this, but they will not. They could outlaw war after having provided for juridical agencies alone, but it is highly improbable that they will do so. An international court is indispensable. And so are permanent political agencies. If the former is essential to outlawry, so are the latter.

2. The second inadequacy of the outlawry program is that the delegalizing of war, taking it out of the law, will not necessarily insure world peace. The former is only a step in the direction of the latter. It is easy to overestimate the significance of outlawry. Advocates of outlawry

are fond of referring to dueling and piracy as precedents. Mr. S. O. Levinson, for example, says: "Finally, the simple discovery was made that the way to get rid of dueling was to condemn it by law,—to call it by its right name, murder, and thus to outlaw it. Thereupon, dueling as an institution ceased and codes of dueling became museum exhibits." Mr. Levinson seems to overlook the fact that in such countries as France, England and Germany dueling continued for nearly three hundred years after it became illegal. In France dueling became a capital crime, punishable with death, as early as 1602. Yet within the following decade two thousand nobles were killed in affairs of honor. One authority tells us that "the private duel, though much practised during the mediæval period of English history, was never legalized, and was denounced and prohibited by a royal edict of James I in 1613 and by a decree of the Star Chamber in 1614." Yet dueling survived in England until the middle of the last century. Most Americans are tempted to claim too much for law and to lean too heavily upon it. *While*

war can never be abolished until it is outlawed, its outlawry will not necessarily abolish aggression and violence between nations.

Most supporters of the outlawry movement are completely silent concerning ways and means of dealing with injustice and aggression after war has been declared illegal. They usually rely exclusively upon two sanctions—the good faith of the respective nations and the power of public opinion. But suppose these fail to secure justice and peace, then what? The chief advocates of outlawry give an astounding answer. The draft treaty formulated by Mr. Levinson says: "The question of genuine self-defense, with nations as with individuals, is *not involved in or affected by* this treaty." While Dr. Morrison says: "Outlawry absolutely has no point of contact with the question of the right of self-defense." Moreover, many outlawry proponents refuse to discuss the difference between aggressive and defensive wars and regard all efforts to define aggression as a fruitless, if not actually perilous, undertaking. "The concept of 'aggressive' war," says Dr. Morrison in a recent editorial,

"and the attempts to identify 'aggressor' which have been put forward by sincere peace advocates, have done more to render opaque the idea of outlawing war than any other single factor." And elsewhere: "There is no way by which an impartial tribunal can justly determine where the guilt of aggression lies."

The question of self-defense may be irrelevant to outlawry, but it is at the very heart of the problem of abolishing international violence. Any proposal that ignores the question of self-defense and discourages any attempt to define aggression is utterly inadequate to insure the peace of the world. In the first place, such a proposal will never be adopted by the nations, dominated as they are by the fear of attack; and, second, even if adopted, it would be insufficient to guard against unprovoked aggression.

The two sanctions upon which outlawry proponents rely are certainly the most powerful available, but they need to be supplemented. Unfortunately, the rank and file of people are not in control of foreign offices. Moreover, public opinion in all countries is uninformed,

prejudiced and exceedingly fickle. Furthermore, no adequate mechanism is available through which world opinion can be quickly crystallized and focussed. For a long time to come the good faith of any given people and the power of public opinion will need to be supplemented by external pressure of a diplomatic or financial character (not by armed force or by an economic blockade). Does anyone believe, for example, that the aggressive designs of Mussolini could be checked merely by the good faith of the Italian people and the power of public opinion? Or that Syria can be protected from French imperialists by reliance on these alone? It seems to me that *international pressure* is indispensable to the preservation of peace and the maintenance of justice. For this purpose continuous international coöperation, functioning through permanent political agencies, is essential. While the League, for example, does not furnish any final guarantee against aggression, if the member-nations should agree in advance to sever all diplomatic relations, to institute a financial embargo, and if necessary, a

partial economic boycott against the aggressor, the knowledge of this fact would act as a powerful deterrent.

If any coöperative action is to be taken against an aggressor, obviously, it will be necessary to define aggression. While no perfect definition is available, adequate tests can be applied. Refusal to wait for an international inquiry, refusal to accept conciliation, arbitration, judicial decision or other peaceable methods, crossing a demilitarized or neutral zone, opening fire or any overt attack—these are hints as to what must be included in a definition of aggression. Both definition of and predetermined means of resisting aggression are absolutely necessary if the nations are to consent to outlawry and to refrain from violence.

The neutrality of the outlawry program concerning means of defense in case of actual attack seems dangerous, not only because it fails to afford adequate security, but also because it leaves unchallenged the policy of armed defense. As long as nations rely upon military and naval units for protection, insecurity will be perpetu-

ated. It is doubtless assumed that when war is outlawed, nations will disarm. This is probably a valid expectation, but it is not likely to be realized within the near future. In the meantime it is necessary to continue the campaign of education not only against the *institution* of war, but also against the entire policy of reliance upon violence for security and justice. "The outlawry of war movement is not a pacifist movement," says Dr. Morrison. This is one of the chief reasons why its program is inadequate. Groups like the Friends have an indispensable part to play in abolishing war. Outlawry must be supplemented and undergirded in the respective countries by a substantial body of public opinion which utterly repudiates the philosophy of violence in international relations.

3. In the third place, the outlawry program is inadequate because it makes no provision for the removal of the causes of war. Indeed, many of its advocates regard such a suggestion not only as irrelevant, but misleading. Dr. Morrison is of the opinion that "the most important 'cause' of war is war itself." The peace movement

should "deal directly with war and with nothing else." While Mr. Levinson says: "As a matter of fact, it is impracticable to get rid of the causes of war and no substantial progress has ever been made in that regard. . . . Not a single, solitary cause of dueling has ever been removed to this day. More than that, not a solitary cause of dueling can ever be removed until human nature is utterly transformed from what we know it to be." This is only partially true. *The chief cause of dueling was an artificial sense of honor.* Duels continued as long as men thought there was no other way to defend their honor save by challenge to mortal combat. For the peace movement to concentrate exclusively on outlawry and ignore the causes of hostility between nations would be fatal. As a matter of fact, nations simply will not abandon the war system until drastic changes are made in the prevailing conception of national interest, national sovereignty, national honor, and national patriotism. As long as the rank and file of the people continue to believe that the supreme obligation of a nation is to advance its own interests, that it

has the sovereign right to choose its own policies without regard to the wishes or interests of other nations, that it must be ready to avenge insults to its flag by killing citizens of the offending country, and that it is the duty of the citizen to support his government, whether it is right or wrong—just so long will the people of the earth slay each other, outlawry or no outlawry.

It is highly important that we distinguish between outlawry as an idea and as a movement. The *idea* of delegalizing war is the freshest and most vital one that has occurred to any advocate of peace during recent decades and must be incorporated in any program that is adequate to abolish war. The American outlawry *movement,* however, has relied too heavily on juridical measures and has frequently been hostile to the League of Nations and opposed to the participation of the United States in the activities of permanent political bodies.

While outlawry is not a panacea, *it is an indispensable part of any effective peace program.* Fortunately the idea of delegalizing war is rapidly gaining ground. The Locarno treaties go

a long way toward outlawing war between Germany, France and Belgium. In these pacts the respective parties have agreed to settle all disputes peaceably and have said specifically that "they will in no case attack or invade each other or resort to war against each other." This stipulation does not apply, however, in two important cases: each signatory reserves the right of defense against unprovoked invasion; and second, this agreement does not affect the obligation of the signatories as members of the League of Nations, under Articles 15 and 16 of the Covenant, to help enforce decisions of the League against recalcitrant member-nations. Aggression is defined as crossing the frontier, assembling armed forces in a demilitarized area, or refusal to submit a dispute to peaceful settlement. It will be observed that a distinction is made between war and resistance of an invader. The latter is not regarded as war, just as killing in self-defense is not regarded as murder. Great Britain and Italy signed the Locarno pact as guarantors, that is, they agreed to come to the assistance of the victim of a violation of the

treaty. It must be admitted that there are roomy loopholes in the Locarno treaties. The Locarno treaties would probably have been more effective if the armed guarantee had been eliminated. In this case, however, France would probably have been unwilling to sign. Locarno, with its armed guarantees, seems to offer more security than if there had been no such agreement. While these treaties are not unqualified outlawry agreements, they do constitute a marked advance in the direction of delegalizing war.

The recent suggestion of M. Briand that France and the United States enter into an outlawry agreement furnishes our government with a splendid opportunity to take a forward step. As pointed out above, we have never been willing to bind ourselves to accept peaceful means of settling all disputes that may arise with another nation. An all-inclusive arbitration treaty with France, therefore, would represent genuine progress, especially if it were followed by similar agreements with other powers. It is worth repeating that the 1914 Bryan treaty with

France is merely a *conciliation* agreement and does not commit us to arbitration or judicial decision.

In response to M. Briand's suggestion, at least three draft treaties have been prepared in this country.[1] The proposed arbitration treaty drafted by Professor Francis B. Sayre, of Harvard University, provides for the settlement of "all disputes of every kind" by diplomacy, conciliation, arbitration or judicial decision.[2] "The High Contracting Parties further agree that under no circumstances will they resort to war with each other." All justiciable questions, that is, questions involving the interpretation of a treaty or international law, shall be referred to the Permanent Court of International Justice and its decision accepted as binding. A Permanent Conciliation Commission is to be established and given responsibility "to elucidate questions in dispute, to collect all necessary information

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[1] *The Inquiry*, 129 E. 52nd St., New York City, has prepared a discussion outline of these treaties, 10 cents per copy.

[2] A copy of this proposed treaty may be secured from The Women's International League of Peace and Freedom, 522 17th St., N. W., Washington, D. C.

by means of inquiry or otherwise, and to endeavor to bring the Parties to an agreement." This treaty is silent concerning the rights of a signatory if the other party violates the agreement and invades its territory.

The American Foundation (formerly the Bok Peace Award) has also published a proposed outlawry treaty.[1] This agreement provides for "the peaceful settlement of disputes of every nature which may eventually arise between them." The respective parties "agree to submit all controversies whatsoever of an international character," which cannot be settled by direct diplomacy, to conciliation, arbitration or judicial decision. Provision is made for the establishment of a Conciliation Commission. Certain types of questions are to be referred to the Hague Tribunal for arbitration, while justiciable questions are to go to the Permanent Court of International Justice. The signatories agree to refrain "from fighting, in short from any hos-

[1] A copy may be secured from The American Foundation, 565 Fifth Ave., New York City.

tile act whatever, save in actual defense or to repel aggression."

Professors James T. Shotwell and Joseph P. Chamberlain, of Columbia University, have prepared still another draft treaty. In this agreement the signatories "mutually undertake that they will in no case attack or invade each other or resort to war against each other." This stipulation does not affect the right of legitimate defense, "provided that the attacked party shall at once offer to submit the dispute to peaceful settlement or to comply with an arbitral or judicial decision." Moreover, it does not abrogate the rights of the United States, under the Monroe Doctrine, "provided that the United States will use its best endeavors to secure the submission to arbitration or conciliation of a dispute between an American and a non-American power." The respective parties agree to further the codification of international law. They bind themselves not to "aid or abet any treaty-breaking power." Justiciable questions are to be referred to the Permanent Court of International Justice, provided "that they do not affect

the vital interests, the independence, or the honor" of the signatories. Certain other questions are to be referred to the Hague Tribunal. Provisions are made for the establishment of a Permanent International Conciliation Commission.[1]

What should be our attitude toward these various outlawry proposals? It is evident that we must draw a distinction between these proposals as educational devices and as practical political measures. As an educational measure, a universal and all-inclusive outlawry treaty like that proposed by Mr. Levinson is highly effective; in practical politics it has no chance of adoption at the present time. Thus we are confronted with an interesting question: Is it wiser to insist on a full-fledged outlawry agreement or nothing at all? Or is it better strategy to advocate only those measures which we believe may be accepted by governmental authorities? We must do both. We must point out the numerous loopholes in such a draft treaty as that proposed by

[1] Still another general arbitration treaty has been drafted by Richard Bartholdt, and published in *The Advocate of Peace*, August, 1927, pp. 492-496.

Professors Shotwell and Chamberlain and seek to create public opinion for more effective measures. An outlawry agreement that excludes questions of vital interest and national honor, as well as controversies between the United States and other American nations, is indeed a frail reed upon which to lean. Yet its adoption would have tremendous psychological values. It is good tactics to continue advocating the ideal, never taking one's eye off the ultimate goal—and in the meantime advance as far as possible in the right direction, even though the steps taken are very short ones. If we do nothing while we wait for perfect treaties or completely satisfactory agencies, disaster will befall us.

III. Abandon the Policy of Armed Intervention

The use of armed force by governments to protect the lives and property of their citizens in other lands has been a frequent source of hostility and war. It is a favorite device of imperialistic nations. Again and again the great powers have prolonged for decades or made per-

manent what purported to be a temporary occupation. Many of the most bitter quarrels of the past half century centered in questions of this character.

What is the present policy of the United States with regard to safeguarding the interests of our citizens in other lands? The answer is found in several recent addresses by President Coolidge. In his message to Congress on January 10th, the President said: "It has always been and remains the policy of the United States in such circumstances to take the steps that may be necessary for the preservation and protection of *the lives, the property, and the interests* of its citizens and of this government itself. In this respect I propose to follow the path of my predecessors. Consequently I have deemed it my duty to use the powers committed to me to insure the adequate protection of all American interests in Nicaragua, whether they be endangered by *internal strife* or by *outside interference* in the affairs of the republic." In an address on April 25th, 1927, the President said: "The person and property of a citizen are a part of

the general domain of the nation, *even when abroad.*" Recently Secretary Wilbur said: "To defend America, we must be prepared to defend its interests and our flag in every corner of the globe. . . . An American child crying on the banks of the Yangtse, a thousand miles from the Coast, can summon the ships of the American navy up that river to protect it from unjust assault."[1] On another occasion the Secretary of the Navy said: "Our trade routes, as well as our international trade, are essential parts of our national life. We are committed to the protection of this traffic upon the high seas."[2]

The Monroe Doctrine

According to our present policy, our responsibilities are even more extensive. The prevailing interpretation of the Monroe Doctrine places upon us the obligation to safeguard the lives and property of Europeans in Latin America. Since we will not allow European powers to use armed force in those countries, we must ourselves give

[1] Before Connecticut Chamber of Commerce, May 7, 1925.
[2] In Thomaston, Maine, July 25, 1927.

them protection, so runs the argument. "Toward the governments of countries which we have recognized this side of the Panama Canal," says President Coolidge, "we feel a moral responsibility that does not attach to other nations."

It is highly important that we recognize the drastic change in meaning which has been given to the Monroe Doctrine in recent years. The phrase is now used with extreme looseness. Our participation in the World War was justified in an official document of the government on the ground that "a new Monroe Doctrine must be defended on the pathways of the seas and in the fields of Flanders if the Western World is to be preserved as the citadel of a free-developing, forward-looking democracy."

In its original form it laid down two principles: The American continents "are henceforth not to be considered as subjects for future colonization by any European powers"; and, second, we will regard any attempt to establish the monarchical system of government on "this hemisphere as dangerous to our peace and safety. With the existing colonies or dependencies of

any European power we have not interfered and shall not interfere." These are the words of President Monroe. No further colonization and no monarchies, this was the original meaning of the famous doctrine.

No objection was raised to temporary intervention in Latin America by European powers to safeguard their interests. On June 21st, 1862, Secretary Seward said: "France has a right to make war against Mexico, and to determine for herself the cause. We have a right and interest to insist that France shall not improve the war she makes to raise up in Mexico an anti-republican and anti-American government."[1]

In an interpretation of the Monroe Doctrine in 1895, Secretary Olney said: "It does not establish any general protectorate by the United States over other American states. It does not relieve any American state from its obligation as fixed by international law, nor prevent any European power directly interested from enforcing such obligations or from inflicting punishment

[1] J. H. Latané, "American Foreign Policy," p. 404.

for the breach of them. It does not contemplate any interference in the internal affairs of any American state or in the relations between it and other American states. It does not justify any attempt on our part to change the established form of government or to prevent the people of such state from altering that form according to their own will and pleasure. The rule in question has but a single purpose and object. It is that no European power or combination of European powers shall forcibly deprive an American state of the right and power of self-government and of shaping for itself its own political fortunes and destinies."[1]

During the Venezuelan crisis, President Roosevelt said: "We do not guarantee any State against punishment if it misconducts itself, provided that punishment does not take the form of the acquisition of territory by any non-American power. . . . No independent nation in America need have the slightest fear of aggression from the United States."[2] In 1916

[1] J. H. Latané, "American Foreign Policy," p. 482.
[2] H. C. Hill, "Roosevelt and the Caribbean," p. 140.

President Wilson said: "But the Monroe Doctrine demanded merely that European governments should not attempt to extend their political systems to this side of the Atlantic."[1]

As a result of the theory that our government must protect the lives and property of our citizens in other lands and of the new interpretation of the Monroe Doctrine, we have intervened frequently in the affairs of other countries. Professor Wm. R. Shepherd, of Columbia University, recently summarized our activities in the Caribbean as follows:[2] "In about thirty years we have created two new republics—Cuba and Panama; converted both of them and three other Latin-American countries—the Dominican Republic, Nicaragua and Haiti—into virtual protectorates; intervened by force *at least thirty times* in the internal affairs of nine supposedly sovereign and independent nations; made the period of intervention last anywhere from a few days to a dozen years; enlarged our investments from a paltry two or three hundred millions of

[1] Latané, p. 664.
[2] *The New Republic*, January 26, 1927, pp. 266-269.

dollars to the tidy sum of upwards of *three billions,* and installed in four states our own collectors of customs to insure payment. Incidentally, we have annexed Porto Rico and the Virgin Islands, built a canal, secured an option to construct another, and gathered in several naval stations."

At a luncheon of the Chamber of Commerce in Helena, Montana, General Smedley Butler, for many years in charge of our marines in the Caribbean, made the following boast: *"I and the marines have conducted five successful presidential elections in Central America."*

If our government continues to follow the announced policy of defending with armed force the lives, property, and interests of our citizens in other lands whenever they are jeopardized by internal dissension or outside interference, we shall find ourselves in endless controversies and hostilities with other nations. Keep in mind the essential facts. International trade is becoming increasingly vital to all nations. Exports and imports are matters of life and death to many countries. Through foreign investments we are

becoming more and more deeply enmeshed in the affairs of other peoples. The economic and financial struggle between nations is assuming greater intensity and bitterness. If each of the great powers continues the policy of armed interference in the affairs of backward countries and of armed preparedness against its rivals, another great war is inevitable.

It is undeniable that imperialistic rivalry has been responsible for most of the wars of the past century and constitutes one of the greatest perils now confronting the world. The attitude of the United States toward imperialism is, therefore, of supreme importance. Our present policy inhibits us from any effective protest against the aggression of the other great powers. The Paris correspondent of *The New York Times* recently wrote as follows concerning our intervention in Nicaragua: "Why should Chamberlain, Briand, Stresemann and Mussolini find only sly pleasure in this performance? The answer is that they think the United States has put herself on record in a fashion which will bind her to silence when the occasion presents itself for European powers

to take analagous steps where their interests are at stake."

The Financial Chronicle recently said editorially: "From whatever angle it may be regarded, intervention is a perilous course. The internal quarrels which it settles rarely remain settled for long, the very presence of foreign troops is an incitement to revolt, and the spectre of occupation haunts the trail of the armed peacemaker, however high his motives. Whether it be the League of Nations intervening in the affairs of the small States of Eastern Europe, or Italy or France intervening in Albania or Syria, or the United States intervening in Central or South America, the story is the same; intervention breeds intervention, and what is begun has to be continued."

It seems imperative, therefore, that all nations, including our own, abandon the policy of armed intervention, and rely upon other means of securing protection for their citizens abroad. This latter problem is not as difficult as it may appear. Most frequently the menace to the lives and property of aliens occurs in the weaker, more

backward countries. It is precisely with these nations that non-violent sanctions are most effective. The hope of the future lies in international coöperation. Coöperative action on the part of our government and the governments of Mexico, Argentine, Brazil and Chile would be far more effective in Nicaragua, for example, than armed intervention on our part. The threat to sever diplomatic and economic relations with any Nicaraguan government that cannot maintain law and order would compel the observance of its obligations. Coöperative action in restoring the financial and economic stability of Austria and of Hungary was far more effective than armed intervention by the British or French would have been. Moreover, coöperative action of this sort acts as a check to the conscious and unconscious aggression of a single power. Behind armed intervention there is usually the desire not merely for protection, but for special privilege. That the United States needs such a check is indicated by the facts. Our armed forces have already been in Haiti for twelve years. We stayed in Santo Domingo for eight years. We

were in control of Nicaragua from 1912 to 1925, and now our marines are in charge for another indefinite period.

The current interpretation of the Monroe Doctrine is unwarranted and constitutes a grave peril to our southern neighbors. Instead of being a real defender of these countries, we have become the chief menace to their liberties. The original purpose of the Monroe Doctrine—the prevention of further European colonization and of the establishment of monarchies—can be accomplished by coöperative action on the part of the United States and the Latin-American powers, with less risk of aggression on our part.

The peril of intervention is greatly intensified by reason of the fact that the Constitutional provision that Congress alone can declare war is now being evaded. During recent years we have waged war on several foreign powers by executive order of the President without authorization from Congress. In referring to the policy of one of his successors, Theodore Roosevelt said: "When our armed forces attack the chief seaport city of a foreign country, as we did in the case

both of Mexico and Hayti, and take it by violence, after conflicts in which scores of our own men and either scores or hundreds of our opponents are killed and wounded, the act is one of war . . . and each was waged without any Congressional action whatever."[1]

Professor Albert H. Putney has recently published an exhaustive survey of executive precedents and judicial decisions bearing on this point.[2] His conclusion is stated as follows: "Against the recent claim of the Executive Department are arrayed the plain and express wording of the Constitution of the United States, the debates in the Federal Constitutional Convention, the explanation of the Constitution contained in *The Federalist,* various decisions by the Supreme Court of the United States, and the attitude and conduct of both Legislative and Executive Departments of the Government down to November, 1903. These precedents would seem to indicate that under the Constitu-

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[1] "Fear God and Take Your Own Part," pp. 30-31.
[2] "The Executive Assumption of the War Making Power," *National University Law Review,* Washington, May, 1927, pp. 1-41.

tion of the United States the power to declare war, including the power to authorize the use of offensive force abroad, is vested exclusively in the Congress of the United States."[1]

The present policy leaves the citizens of this country with no effective voice in deciding whether or not war is to be waged on the people of another country. The President should not only be prevented from intervening with armed force in other nations, the practice should be completely abandoned.

IV. Grant Self-Determination to the Filipinos

During the past century hundreds of millions of peoples have come under the political control of alien powers. These subject races are everywhere in rebellion at the present time. In many regions the rebellion has taken the form of armed revolt. Elsewhere it is being expressed through increased bitterness and hostility. The day of armed coercion of dark-skinned peoples by the

[1] "The Executive Assumption of the War Making Power," p. 41.

white powers is rapidly drawing to an end. Whether the victims of imperialism are to gain their freedom by peaceful means or whether they will resort to violence and war will be determined primarily by what the great powers of the West do about the question.

The future of the Philippine Islands becomes more significant when considered in this larger setting. The contribution that the United States will be able to make to world peace will be greatly affected by our policy with regard to Filipino independence. If we stay in control of the Islands indefinitely, we will not only incur the hatred of Orientals, but will encourage other imperialistic powers to prolong their control over subject countries. British imperialists, for example, are very eager to have us retain control of the Islands. The London *Daily Telegraph* said recently: "The withdrawal of America from the Philippines, either now or in the near future, would very seriously weaken the position of the Western Powers in the Far East. . . . The United States is fulfilling its mission in various ways in Cuba and Porto Rico, Hayti

and Santo Domingo, Nicaragua and Panama, and elsewhere. Its administration of the Philippines is but one part of what has now become a virtual American Colonial Empire akin to our own."[1] The Philippine question, therefore, becomes the acid test of our devotion to international friendship and coöperation.

We should allow the Filipinos to decide for themselves the question of their independence. This is a sound policy even if it could be proved that they are not able to govern themselves as efficiently as we are doing for them. In the long run, self-government is better than good government from without. There is, however, much evidence that the Filipinos are as well qualified for self-government as are a score of nations that are now independent.[2]

There is no doubt whatever that we have done a vast deal of good during the period of our administration. This fact, however, does not give us the right to continue indefinitely govern-

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[1] August 10, 1927.

[2] Arguments on both sides of this question are contained in "Independence for the Philippines," compiled by Eleanor Ball.

ing some twelve million people of another race against their wishes. The evidence seems conclusive that a vast majority of the Filipinos desire their independence. Year after year the Filipino Congress votes unanimously in favor of a resolution demanding immediate independence. In response to the statement that only the politicians desire independence, plans were made for a plebiscite of all the voters. The holding of this plebiscite was vetoed by President Coolidge. The Filipinos are not to be allowed to say whether or not they favor independence.

Twenty-seven years have passed since we established civil government in the Islands, following the war with Spain.[1] Eleven years ago our Congress definitely promised independence as soon as "a stable government can be established." Seven years ago the President of the United States said that "this condition precedent having been fulfilled, it is now our liberty and our duty to keep our promise to the people of those

[1] For the darker side of our record see "The Philippines and the United States," by Moorfield Storey and M. P. Lichauco. This pamphlet may be secured from Kirby Page, 347 Madison Ave., New York, 10 cents.

Islands by granting them the independence which they so honorably covet." Yet we are becoming more and more firmly entrenched in the Islands, and our government is now making plans for their indefinite, if not permanent, retention. A nation-wide campaign on behalf of continued occupation is being waged. All the arguments that have been used by British and French imperialists are now being let loose upon the American public. Frequent use is made of the old argument about "the white man's burden." The real reason, however, why powerful groups are urging continued control on our part is because of the economic and military significance of the Islands. If our major objective is to be of service to the Filipinos, we could grant them independence and still continue our coöperation on behalf of education, sanitation, and other improvements. Our educators and engineers are rendering effective coöperation with many of the self-governing peoples of the globe. The sanitary and health work of the Rockefeller Institute, for example, is carried on in countries that are not under our political control.

If we remain in the Islands for another decade without a definite commitment concerning their independence, we shall be so firmly established and the propaganda in the United States against independence will be so widely accepted that the chances of the Filipinos gaining their freedom will be very remote.[1] It is usually assumed that only two alternatives are open to us. First, grant the Philippines independence and completely sever all relations with them, leaving them at the mercy of any aggressor; or, second, continue our control.[2] A third alternative is available with the following provisions:

1. The Filipinos should be allowed to hold a plebiscite on the question of independence. If the decision is in the affirmative, Congress should fix a definite date, say not more than ten years distant, when the Islands will be given absolute freedom and independence.

2. An effort should be made to negotiate

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[1] See "The Philippine Islands, A Commercial Survey," by U. S. Dept. of Commerce, 20 cents.

[2] Most current comments on the Philippines take account of only these two alternatives. For example, see a symposium in *The American Review of Reviews*, August, 1927, pp. 154-158.

treaties with Japan, Great Britain and other powers guaranteeing the integrity and independence of the Philippines and agreeing not to go to war over the Islands.

3. We should stand ready to coöperate in the creation of permanent agencies for the peaceable settlement of any disputes that may arise between ourselves and the Filipinos or between the latter and other nations.

4. We should negotiate commercial treaties with the Filipinos, continuing any agreements now in force that are mutually advantageous to both countries and widening these agreements wherever they are inadequate.

5. We should stand ready to respond to any appeal the Filipinos may make for trained men and women from this country to coöperate with them as educators, doctors, sanitary experts, jurists, administrators or religious workers.

To summarize briefly: *if we are chiefly concerned for the welfare of the people of the Islands* we can grant them political independence and yet conserve our past contribution and continue our coöperation along the various lines

indicated. If we retain control, against their wishes, we will sink deeper and deeper into the bog of imperialism, with all its attendant dangers to the peace of the world. As long as we retain arbitrary control of the Philippines we will be inhibited from making any effective protest against the imperialism of Italy, France, Great Britain, Japan or other great powers.

V. Help Remove Trade Barriers Between Nations

During recent weeks there has been much talk of a possible tariff war between France and the United States. This discussion has helped to remind the American people of the various devices for interfering with the natural flow of commerce. These barriers to world trade constitute a grave threat to international friendship and coöperation.

It may be well if we summarize briefly the most important trade practices which are endangering world peace. A very common device is a discriminatory tariff, where greater conces-

sions are made to one country than to another. Certain countries place severe restrictions upon exports. A notable case is found in the Stevenson Restriction Act governing the export of rubber from the East Indies which greatly increased the price to American and other foreign buyers. Occasionally a nation will place an absolute embargo on specified products. Certain governments have established monopolies and thus are able to increase the export price. Secretary Hoover has called attention to nine of the monopolies which control materials upon which the American public is dependent. Governments sometimes grant their own exporters and importers cheaper banking facilities, preferential railway and shipping rates, subsidies, and other forms of support. Combinations of private concerns or trusts are sometimes encouraged for the purpose of promoting foreign trade. An excessively high import tariff is a common and effective trade barrier. One of the most objectionable practices is the control of commerce with dependencies or colonies by preferential

agreements.[1] Much of the rivalry between the great powers has been occasioned by the desire to control raw materials and markets.

In the aggregate these various trade barriers have two calamitous results: they reduce the general standard of living throughout the world, and they create the emotions and rivalries that lead to war. "The nationalists," says R. L. Buell, "overlook the argument made by practically every economist since the days of Adam Smith, that instead of increasing the productivity of a nation, the policy of self-sufficiency decreases it."[2] The *economic* argument against tariff barriers is unanswerable.[3] All the economic arguments in favor of free trade between forty-eight states are equally valid when used on behalf of free trade between forty-eight nations. Tariff barriers are the result of political factors. If the various nations would agree to remove by gradual stages all barriers to the free flow of

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[1] For a chart showing preferential practices, see Culbertson, "International Economic Policies," pp. 209-211.

[2] R. L. Buell, "International Relations," p. 96.

[3] For a full discussion of this point, see Herbert Fraser, "Foreign Trade and World Politics," pp. 21-83.

goods around the earth the result would be a marked improvement in the standard of living everywhere.

There are three ways in which the United States can aid this process. First, by accepting without reservation or exception the policy of the open door, that is, equal access to the trade of a given region by all parties without distinction or discrimination. So vigorously have we advocated the open door in China that it would be easy to assume that we are fully committed to this policy. Unfortunately such is not the case. In the Hawaiian Islands, the Philippines, Guam, the Virgin Islands, Porto Rico and Cuba, we demand and receive preferential treatment for our commerce. Mr. W. S. Culbertson, formerly a member of our Tariff Commission, says: "Our own colonial policy may be represented as less liberal than that of any other country."[1] We cannot expect to make a notable contribution to the abolition of the closed door until we are willing to open our own doors.

[1] For a discussion of these preferential agreements, see W. S. Culbertson, "International Economic Policies," pp. 131, 145, 211, 247, 300.

We could also help improve the existing situation if we would abandon the policy of high protective tariff, not within a year, but by gradual stages, so that readjustments may be made with the least disturbance. As a matter of fact, within the near future it will be necessary for us to lower tariffs if we are to maintain our export trade and collect interest on our foreign investments. It will make a vast difference, however, if we start the process willingly and quickly, rather than grudgingly when compelled to do so by economic necessity.

A third contribution we can make is to coöperate whole-heartedly with the Economic Section of the League of Nations, the International Labor Office and other international agencies that are functioning in this realm of tariff barriers. Treaties between two countries must be supplemented by universal agreements. The whole question is so complicated and so vital that much patience and perseverance will be required before adequate agreements are reached.[1]

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[1] For constructive suggestions in this regard, see Buell, "International Relations," pp. 121-162.

Fortunately, the necessity of removing trade barriers is now being widely recognized. The recent International Economic Conference, under the auspices of the League of Nations, greatly stimulated thought and discussion of the whole problem.[1] Some months ago a distinguished group of financiers and business men from many countries, including J. P. Morgan, Albert H. Wiggin, Melvin A. Traylor, G. W. McGarrah and Thomas N. Perkins, of the United States, signed a remarkable "Plea for the Removal of Restrictions Upon European Trade."[2] The International Chamber of Commerce is also seeking to eliminate trade barriers. Citizens of the United States should urge our government to participate freely in all efforts toward this end.

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[1] See "The International Economic Conference," 52 pages, five cents, from World Peace Foundation, Boston.

[2] This document and the list of signatures is printed in George Paish, "The Road to Prosperity," pp. 100, 161.

Chapter V

THE WAR DEBTS

There is enough dynamite in the controversy over war debts to disrupt the peace of the world. Heat and passion should, therefore, be avoided. The whole affair is extraordinarily complicated. At best it will be difficult to avoid an explosion. Let us proceed with an open-minded examination of the various factors involved: financial, economic, political, psychological, moral.

I. Costs of the World War

It has been estimated that the direct financial costs of the war reached a total of 187 billion dollars.[1] The relative cost of the war to the respective belligerents was as follows:[2]

[1] E. L. Bogart, "Direct and Indirect Costs of the World War," p. 267.

[2] Harvey E. Fisk, "The Inter-Ally Debts," p. 21.

	Gross cost in gold dollars per capita	*Gross cost % national wealth*	*Average Cost % national Income*	*Battle Deaths % Population*
Great Britain	$524.85	34.49%	36.92%	1.44%
Germany	292.57	24.71	31.58	2.35
France	280.20	19.36	25.59	2.31
United States	176.91	8.67	15.50	.05
Italy	124.59	20.59	19.18	.92
Austria-Hungary	108.76	18.13	24.18	1.60
Russia	44.01	13.11	24.10	.98

II. United States Loans to the Allies

After the entrance of the United States into the war, large loans were made to the various Allied governments, the total of the pre-armistice and post-armistice loans being listed on p. 143.[1]

Funding agreements have been reached with all the chief debtors, although those with France and Jugoslavia have not been ratified. Funding arrangements have not been made with Armenia, Austria, Greece, Nicaragua and Russia. Cuba and Liberia have repaid their debts in full. The various funding agreements showing the average annual payments for a period of 62 years, at which time the specified principal and interest will have been paid in full, are summarized on page 144.[2]

III. Extent of Cancellation

An analysis of the following table reveals the fact that drastic reductions have been made in the amounts that would have been due if normal rates of interest had been added to the principal.

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[1] L. W. Jones, "The United States and the War Debts," p. 4.
[2] Moulton and Pasvolsky, "World War Debt Settlements," p. 94.

Country	Pre-Armistice Cash Loans	Post-Armistice Cash Loans	Post-Armistice War Supplies & Relief Supplies	Total Loans
Armenia			$ 11,959,917.49	$ 11,959,917.49
Austria			24,055,708.92	24,055,708.92
Belgium	$ 171,780,000.00	$ 177,434,467.89	29,872,732.54	379,087,200.43
Cuba	10,000,000.00			10,000,000.00
Czecho-Slovakia		61,974,041.10	29,905,629.93	91,879,671.03
Esthonia			13,999,145.60	13,999,145.60
Finland			8,281,926.17	8,281,926.17
Great Britain	3,696,000,000.00	581,000,000.00		4,277,000,000.00
France	1,970,000,000.00	1,027,477,800.00	407,341,145.01	3,404,818,945.01
Greece		15,000,000.00		15,000,000.00
Hungary			1,685,835.61	1,685,835.61
Italy	1,031,000,000.00	617,034,050.90		1,648,034,050.90
Latvia			5,132,287.14	5,132,287.14
Liberia		26,000.00		26,000.00
Lithuania			4,981,628.03	4,981,628.03
Nicaragua			166,604.14	166,604.14
Poland			159,666,972.39	159,666,972.39
Rumania		25,000,000.00	12,922,675.42	37,922,675.42
Russia	187,729,750.00		4,871,547.37	192,601,297.37
Jugoslavia	10,605,000.00	16,175,465.56	24,978,020.99	51,758,486.55
Total	$7,077,114,750.00	$2,521,121,825.45	$739,821,776.76	$10,338,058,352.20

The Allied Debts To The United States

Country	*Principal*	*Interest*	*Total Amt. to be paid*	*Average Annual Payments for 62 years. In millions of dollars*
Great Britain..	$4,600,000,000	$6,505,965,000.00	$11,105,965,000.00	179.1
Finland.....	9,000,000	12,695,055.00	21,695,055.00	.3
Hungary.....	1,939,000	2,754,240.00	4,693,240.00	
Poland.....	178,560,000	257,127,550.00	435,687,550.00	7.0
Esthonia.....	13,830,000	19,501,140.00	33,331,140.00	.5
Latvia.....	5,775,000	8,183,635.00	13,958,635.00	.2
Lithuania.....	6,030,000	8,501,940.00	14,531,940.00	.2
Czecho-Slovakia	115,000,000	197,811,433.88	312,811,433.88	5.0
Rumania.....	44,590,000	77,916,260.05	122,506,260.05	1.9
Belgium.....	417,780,000	310,050,500.00	727,830,500.00	11.7
France.....	4,025,000,000	2,822,674,104.17	6,847,674,104.17	110.4
Jugoslavia.....	62,850,000	32,327,635.00	95,177,635.00	1.5
Italy.....	2,042,000,000	365,677,500.00	2,407,677,500.00	38.7
Total.....	$11,522,354,000	$10,621,185,993.10	$22,143,539,993.10	357.1

The amounts of these reductions vary according to the standard rate of interest which is selected. The Treasury Department has used three different standards at various intervals. "The original loans," says Secretary Mellon, "bore interest at 3½ per cent, being the interest rate carried on the first Liberty loan issue. The rate was subsequently made 5 per cent."[1] The later Liberty bonds carried an interest rate of 4¼ per cent.

The percentage of reduction or cancellation of the debts due the United States, figured respectively on a basis of 5 per cent and 4¼ per cent, is as follows:[2]

Country	*Percentage of Cancellation if Interest is Calculated at* 4¼ *per cent*	5 *per cent*
Great Britain	19.7	30.1
France	52.8	60.3
Italy	75.4	80.2
Belgium	53.5	60.3
Finland	19.3	29.8
Hungary	19.6	30.0
Poland	19.5	30.0
Esthonia	19.5	29.9
Latvia	19.3	29.8
Lithuania	20.1	30.5

[1] "Combined Annual Reports of the World War Foreign Debt Commission," p. 335.
[2] "World War Debt Settlements," pp. 97, 99.

Country	*Percentage of Cancellation if Interest is Calculated at* $4\frac{1}{4}$ *per cent*	*5 per cent*
Czecho-Slovakia	25.7	37.0
Rumania	25.1	37.1
Jugoslavia	69.7	75.9
Average	43.0	51.2

It should be pointed out that even $4\frac{1}{4}$ per cent is a far higher rate of interest than now prevails in the open market. Secretary Mellon has estimated that *"the average cost of money to the United States for the next* 62 *years will approach a* 3 *per cent basis."*[1] If the rate of interest be calculated at 3 per cent, it will be discovered that none of the debtor countries except France, Italy, Belgium and Jugoslavia have received any cancellation whatever. *Indeed, on a* 3 *per cent basis, nine of the thirteen debtors have been overcharged* .3 *of* 1 *per cent over a period of sixty-two years.*[2] If Great Britain had been charged only 3 per cent interest she would have had to pay nearly a billion dollars less than under the existing agreement.[3]

[1] "Combined Annual Reports of the World War Foreign Debt Commission," p. 294.
[2] See "The United States and the War Debts," p. 21.
[3] For the full figures, see "Combined Annual Reports of the World War Foreign Debt Commission," p. 329.

During recent months there has been vigorous agitation here and abroad for further reductions of the war debts. Before we line up with those who oppose or those who favor this procedure, let us examine somewhat in detail the economic effects of repayment upon the debtors and upon the creditors. Then let us assess the probable political effects of the debt controversy upon all parties concerned.

IV. The Dawes Plan

The history of the reparations question reveals the fallacies into which the "best minds" frequently fall. At the end of the war various Allied statesmen and economists issued grotesque estimates of Germany's ability to pay reparations. During the General Election campaign of 1918, Mr. Lloyd George talked in terms of a war indemnity of 120 billion dollars. At the Peace Conference, Mr. Loucheur, a French Cabinet member, suggested that this figure be raised to 200 billion dollars—a sum considerably

more than twice as large as the entire pre-war national wealth of Germany.[1]

Because Germany failed to make the payments finally assessed, which are now almost universally regarded as having been impossible, France seized the Ruhr. The French invasion and the German passive resistance were so disastrous that not only was Germany on the verge of starvation and anarchy, the whole industrial and financial fabric of Europe was seriously endangered. This calamitous deadlock was finally broken by the negotiation of the Dawes Plan.

So pivotal is the Dawes Plan in the stabilization of Europe that we should clearly recognize just what it accomplished and what it left undone. The Dawes Plan rests upon two cornerstones. A nation can pay its foreign debts only if it has in its state budget an adequate excess of receipts over expenditures, and if it has in its foreign trade a corresponding excess of exports over imports. *The effort to collect large sums from a government which does not have an ade-*

[1] See Ray Stannard Baker, "Woodrow Wilson and World Settlement," Vol. 2, p. 372.

quate budget surplus and export surplus will jeopardize its whole economic life and thereby further decrease its capacity to pay.

The plan provides that Germany shall collect in German marks specified amounts each year, varying from one billion gold marks the first year to two and a half billions the fifth year and thereafter. This money is to be turned over to the Agent General for Reparations Payments, who is an American citizen. It is his duty to discover ways and means of transferring these annual payments to the Allied governments. During the first year of the plan, which ended in August, 1925, Germany turned over to the Agent General one billion marks, 800 millions of which were provided by a loan most of which came from the United States. The 1,220 million marks which Germany paid during the second year came chiefly from interest on railroad bonds and from the sale of railroad securities.

It is important to note that whereas during the first and second years the payments have been made without drawing heavily on the German budget, beginning September, 1928, it is

estimated by the Dawes Plan that the budget will be required to yield 1,250 million marks for reparations payments, an amount larger than the total payments during either of the first two years.

Attention is frequently called to the fact that Germany's national debt was practically wiped out as the result of inflated currency and that she has thereby been relieved of heavy interest payments. Concerning this point, Mr. Roland W. Boyden says: "People speak sometimes of the great advantage which Germany has obtained by the cancellation of all her domestic debts. If that is such a wonderful boon, such a great advantage to a country, why don't we cancel our domestic debts? Why don't we fix things so that tomorrow all our U. S. Government bonds shall be worth nothing? It is the height of absurdity. When you go through a process like that you go through a cataclysm, and it means suffering, disaster, to the large majority of the people in the country."[1]

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[1] *Annals of American Academy,* July, 1925, p. 38.

As great as may be the difficulty of balancing the German budget, if 1,250 million marks are included for reparations, an even greater difficulty confronts the Agent General in the matter of transferring these amounts to the creditor nations. Obviously, the Allies will not accept payment in German paper marks. The German supply of gold is barely adequate to maintain the integrity of the currency, and so large gold payments are impossible. "The fact is," says H. G. Moulton, "that the total production of gold in the entire world since the discovery of America is little more than half of the sum which Germany is obligated to pay."[1]

The only way by which *large* sums of wealth can be transferred *permanently* from one country to another is in the form of goods or services. Small amounts can be transferred in other ways. Moreover, there are various devices which make it appear that large sums are being transferred in other ways. But when gigantic sums like the

[1] "Germany's Capacity to Pay," p. 10. "The total gold supply of Germany at the end of the war was 2,281,000,000 gold marks, about $560,000,000 . . . While in March, 1923, it was 1,004,829,000 gold marks, or a little over $250,000,000."

present war debts are involved, the only possible means of actual repayment is in the form of goods or services, that is, by a net surplus of exports from the debtor to the creditor country, or by services rendered. Mr. H. G. Moulton says: "The ability of Germany to develop an export surplus is the essence of the whole reparation problem. We must repeat that year after year Germany can make reparation payments only to the degree that she is able to export more than she imports."[1]

Concerning this point the Dawes Report says: "For the stability of a country's currency to be permanently maintained, not only must her budget be balanced but her earnings from abroad must be equal to the payments she must make abroad, including not only payments for goods she imports but sums paid in reparation. Nor can the balance of the budget itself be permanently maintained except on the same conditions. Loan operations may disguise the position or postpone its practical results, but they

[1] "Germany's Capacity to Pay," p. 242.

cannot alter it. If reparations can and must be provided by means of inclusion of an item in the budget, viz., by collection of taxes in excess of internal expenditures, it can only be paid abroad by means of an economic surplus in the country's activities."

Those persons who have an optimistic opinion concerning Germany's capacity to pay frequently refer to the fact that in 1871-73 France paid an indemnity of more than a billion dollars. It is maintained that the amount paid by France is proportionally as great as that now demanded of Germany. What are the facts? Concerning this point, Mr. H. G. Moulton says: "The French Government borrowed in one way or another practically all the funds used in paying Germany. This increase in the French public debt has left a permanent fiscal burden."[1]

The inter-allied debts, like reparations, can actually be repaid only by transferring goods or rendering service. This does not mean that

[1] "Germany's Capacity to Pay," pp. 223-227. For an interesting discussion of the disastrous economic effects of these payments on Germany, see "The Inter-Ally Debts and the United States," pp. 176-179.

France, for example, must necessarily send direct to us goods equivalent to the annual payments. She may ship goods to a third country from whom we are purchasing. It does mean, however, that France must have an adequate excess of exports over imports and that the United States must have an excess of imports over exports. "The underlying fact," says Professor F. W. Taussig, of Harvard, "is that payment must come to us in goods." Concerning this point, Mr. E. H. Outerbridge, former President of the New York Chamber of Commerce, says: "It is well-recognized fact that these payments cannot be made in gold, the only money recognized in international transactions. They must be paid in products and commodities or the proceeds thereof sold somewhere in the world." "The ultimate payment of international debts," says Mr. B. M. Anderson, Jr., of the Chase National Bank, "must be primarily in goods and in services." While Mr. George E. Roberts, ex-director of the United States Mint, says: "It is agreed that there are only two ways by which

international payments can be finally made: One is by gold and the other by commodities."

Thus we see that adequate taxation and an adequate export surplus—either of goods or services—are indispensable conditions for the payment of the war debts. Let us examine the taxation burden involved and consider the possibility of securing the necessary export surplus in the respective debtor countries.

V. The Burden of Taxes

The relative burden of taxation in the various countries has been estimated as follows:[1]

Per Cent of Total Taxes to National Income

Country	1913-14	1925-26
Great Britain	11.2	24.0
France	13.3	30.0
Italy	12.8	25.0
Belgium	7.8	17.0
United States	6.4	11.0

In 1921-22, according to an estimate of H. G. Moulton, the German people paid in taxes about 23 per cent of their total national income.[2]

[1] "The Inter-Ally Debts and the United States," p. 82; and the "Interallied Debts," p. 199.
[2] "Germany's Capacity to Pay," p. 195.

Mr. Moulton says: "There is no truth whatever in the prevalent assumption abroad that the French people do not and will not pay taxes. The facts completely contradict this contention, which has been repeated so often that it has come to be almost universally believed." The French budget for 1927 contains an item of 21,726 million francs for interest and service on the public debt. This stupendous sum is 55 per cent of the entire French budget.

The taxation burden resting upon the debtor countries is far heavier than the figures seem to indicate. The real extent of this burden is more clearly revealed when we compare the national income of the various countries. The per capita income in the different countries in 1924-25 has been estimated as follows:[1]

United States	$625
Great Britain	387
France	183
Italy	71

The National Industrial Conference Board recently made a comparative study of wages in

[1] See the "Interallied Debts," p. 199.

various countries. Its estimate of *real* wages, that is, the purchasing power of a day's wages, is as follows:[1]

Philadelphia	100
London	60
Paris	41
Berlin	40
Rome	28

Senator Smoot, a member of our Debt Funding Commission, has estimated the relative income taxes of the respective nations as follows:[2]

Income	*Italy*	*Belgium*	*France*	*England*	*U. S.*
$1,000	$189.21	$29.15	$48.99	.....	.....
2,000	392.18	107.70	174.55	$67.50	.....
3,000	599.30	238.45	348.00	202.50	$7.50
4,000	812.18	413.35	569.40	382.50	22.50
5,000	1,025.06	619.90	838.75	787.50	37.50

VI. The Export Surplus

Not only must the debtor nations levy taxes, they must secure an adequate surplus of exports over imports—or render an equivalent amount of service—if the war debts are to be paid. What are the prospects in this direction? The average

[1] Quoted in *The Literary Digest*, Feb. 19, 1927.
[2] Quoted in *The Commercial and Financial Chronicle*, April 10, 1926, p. 1975.

annual imports and exports for the years 1923, 1924 and 1925, for the respective countries were as follows:[1]

	Imports	*Exports*
Germany	$2,197,500,000	$1,702,500,000
United Kingdom	5,681,900,000	4,229,100,000
France	2,066,000,000	2,086,900,000
Italy	892,200,000	621,200,000

The above figures represent *goods* imported and exported. Account must also be taken of *services* received and rendered; that is, consideration must be given to the so-called invisible items: shipping and other transport earnings, banking, insurance and miscellaneous commissions, expenditures of tourists, etc., emigrant remittances, payments to migratory workers, gifts and relief contributions.

Concerning the state of Germany's foreign trade, Mr. J. M. Keynes has recently pointed out that for the two and one-half years ending in April, 1927, Germany had an excess of imports amounting to 795 million dollars. He went on to say: "Now the invisible items, other than

[1] Trade Information Bulletin No. 446, Bureau of Foreign and Domestic Commerce, pp. 24, 25.

reparations, can scarcely be favorable to Germany—allowing for the growth of private debts to foreigners—to any material extent, and may be unfavorable. If, therefore, Germany is to pay the reparation annuity of 1928-29 otherwise than by borrowing it from abroad, she must convert an import surplus which has averaged $300,000,000 per annum into an export surplus of $500,000,000 to $600,000,000. The Dawes Plan will break down according to schedule. The question is—what will be the price of its modification?"[1]

Mr. H. G. Moulton estimates that in 1924, a boom year as the result of inflation, France's net surplus from trade and service operations was 6.6 billion francs ($360,750,000 at the prevailing rate) and that, therefore, there was a net reduction of foreign claims by this amount.[2] This means that so far as the external transfer problem is concerned France could have paid the amounts designated in the funding agreements with the United States and Great Britain. How-

[1] *The New Republic,* August 3, 1927, p. 276.
[2] "The French Debt Problem," pp. 370, 371.

ever, says Mr. Moulton, "the budget situation was such as to render the making of any payments economically disastrous."[1] During the first eleven months of 1926 French imports exceeded exports by 252 million francs, as against an excess of exports of 2,375 million for the corresponding period in 1925. Moreover, the total annual payments called for in the funding agreement increase four-fold after the first decade.

From 1906 to 1914, Italy's average annual net international deficit was 33 million lire [2] (6.4 million dollars). In the three years, 1922, 1923, 1924, on the other hand, Italy's gross liabilities were reduced by 100 to 200 million gold lire[3] (19.5 to 39 million dollars); that is, an average of 6.5 to 13 million dollars annually, an amount, however, utterly insufficient to meet the annual payments required by the funding agreements.

Great Britain has a large surplus of invisible items. Her net income from shipping, investments, commissions and other services was as follows:

[1] "The French Debt Problem," p. 283.
[2] "Italy's Economic Position," p. 285.
[3] *Ibid.*, p. 324.

1913: 1,649 million dollars; 1922: 1,439 millions; 1924: 1,635 millions.[1] Great Britain is much sounder financially than she is economically. Thanks to heavy investments abroad, her unfavorable trade balance is more than offset and it will not be impossible to continue her annual remittances of 160 million dollars to the United States.

VII. Summary of Economic Effects Upon Debtors

There is very grave doubt as to whether Germany will be able to include in her budget as large an item as 1,250 million marks annually for reparations without disastrous effects upon her fiscal system. There is even more serious doubt about her ability to change a net deficit of goods and services, amounting to several hundred million dollars, to a net surplus of 600 millions, the amount necessary if the standard Dawes payments are to be *transferred* to the Allies. Likewise the ability of Italy to secure an adequate net surplus of exports is highly

[1] "The Inter-Ally Debts and the United States," p. 132.

problematical. France's trade balance is more favorable than the condition of her budget. With difficulty she can probably meet the relatively light payments called for in the early years. Britain, alone of the major debtors, can pay without serious if not disastrous consequences.

VIII. Economic Effects Upon the Creditors

There is another side to the picture. There are times when it is doubtful whether the creditor is really benefitted by receiving debt payments. Certain it is that creditor nations have frequently been unwilling to receive payment in the form offered by the debtor. France, for example, rejected the oft-repeated offers of Germany to send workmen into the devastated areas to aid in reconstruction. Likewise the offer of certain German goods was refused. The tariff walls everywhere erected are proof of the unwillingness of the respective nations to receive unlimited quantities of specified goods. The ghost of unemployment haunts industrial communities. England has had from one to two million per-

sons receiving unemployment doles for a period of seven years. If Germany increases her export trade sufficiently to meet the Dawes payments, England may be the victim of further unemployment.

Moreover, the creditor nations will suffer great loss if the debt payments are so heavy that the debtors are crushed. Germany was not the only sufferer as a result of the Ruhr invasion. France also suffered terribly. Impoverished debtors are at the same time impoverished customers. This means reduced sales, idle factories, greater unemployment for the creditor nation. For these reasons many British economists are saying that England cannot afford to receive heavy reparations payments from Germany or debt payments from France or Italy. It is obvious, however, that this argument must not be pressed too far.

Whether the United States will be financially benefitted by receiving from 200 to 400 million dollars annually in debt payments will depend upon two primary considerations: first, the effects upon production within this country; and, second, the effects of such payments upon the

purchasing power of the debtors. The latter is likely to be decisive in the long run. The importance of this point was emphasized by Secretary Mellon, before the Ways and Means Committee of the House of Representatives, as follows: *"The entire foreign debt is not worth as much to the American people in dollars and cents as a prosperous Europe as a customer."*[1] In his Philadelphia speech, Mr. Mellon was even more explicit: "A business man would prefer making $100 in his business than being repaid $5 of a debt. The farmer or the laboring man would rather have a market for our surplus in Europe than save a dollar of Federal taxes."[2]

Concerning the effects of debt payments, Mr. George E. Roberts, a leading New York banker, says: "These debts were not created in normal trade. They never could have been created in normal trade. They were created by a great, one-way movement of commodities in time of war, and nobody wants them paid by a great

[1] "Combined Annual Reports of the World War Foreign Debt Commission," p. 293.
[2] *Ibid.*, p. 302.

return movement of commodities in time of peace. It does not seem that we can consistently take the stand of insisting upon the payment of debts and at the same time refusing to receive payment by the only practicable means."[1]

Thus we see that there is serious doubt as to whether the debtors, except Great Britain, can meet the specified payments without disastrous results; and, second, whether the creditors will really gain by being paid.

IX. Moral and Political Factors

It is unwise to consider the war debts solely from the financial angle. So far as international friendship and coöperation are concerned, the psychological factors are equally important. Wars emerge from national emotions—fear, suspicion, resentment, contempt, hatred. National policies are rarely determined by logic. Feeling is more powerful than reason. That the reparations-debt controversy has deeply stirred the emotions of millions of people is indisputable. It

[1] "Annals of the American Academy," July, 1925, pp. 27, 28.

is of the utmost importance, therefore, that the citizens of the United States should understand just how the peoples of Europe feel about the war debts.

Generalizations at this point are very dangerous. There are sharp differences of opinion on this subject within the different countries. Consequently, we should not say that France thinks this or that England thinks that. There is general agreement in Europe that the Allied debts to the United States are *legal* obligations. Mr. Mellon is absolutely right in saying that "when the advances were made to our Allies they knew they were loans, not gifts."[1] It is a fact, however, that millions of people in the Allied countries passionately believe that the United States has no *moral* right to ask repayment of those portions of our loans which were used for the prosecution of the war. Without admitting or denying the justice of this point of view, let us examine more closely the basis on which it rests.

The people who feel this way assume that the

[1] For a full citation of the evidence, see "Combined Annual Reports of the World War Foreign Debt Commission," pp. 59 ff.

World War was a common undertaking against a common enemy. They say that Germany planned and started the war, with the avowed purpose of dominating Europe and other parts of the earth. They believe that the various Allies were fighting not for their respective countries alone but on behalf of humanity as well. They say that the United States was slow to recognize the nature of the struggle and late in entering the conflict, but that after we had declared war on Germany our spokesmen admitted the justice of their contention. They quote the many utterances of President Wilson to the effect that Germany was the enemy of all mankind and the frequency with which he admitted the service rendered America by the Allies. In his Message to the Italian People, of May 23, 1918, the President said: "With ever increasing resolution and force we shall continue to stand together in this *sacred common cause.*" After summing up the objectives of the war in his Mt. Vernon speech, Mr. Wilson said: "These are the ends for which the *associated peoples of the world* are fighting."

They also quote Theodore Roosevelt on the nature of the war. Five months after we entered the conflict, Roosevelt wrote: "If Germany now conquered France and England, we would be the next victim; and if the conflict took place at this moment we would be a helpless victim. France and England have been fighting the battle of this nation as certainly as they have been fighting for themselves. . . . First and foremost we are to make the world safe for ourselves. This is our primary interest. This is our war, America's war. . . . We owe our safety from conquest only to the fact that, to serve their own purposes, England and France have protected us and fought our battles for us."[1] On another occasion Roosevelt wrote: "They (France, England and Italy) have protected us with their navies and armies, their blood and their treasure."[2]

They call attention to the innumerable statements of this character made by officials of our

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[1] "The Foes of Our Own Household," pp. 18, 27, 29.
[2] "The Great Adventure," p. 73.

national and state governments, editors, business men, educators, labor leaders, officers of women's clubs, clergyman and others in all walks of life throughout the United States. Even before we entered the war, Elihu Root said: "I am grateful with all my heart to those men who are fighting in the trenches in France and Belgium and Russia and Italy and the Balkans today for the liberty and peace of my children's children."[1] On September 26, 1917, William Howard Taft said: "England and France and Russia, since 1914, have been fighting the battle of the world, and fighting for us in America."[2] Professor Tatlock of Stanford expressed the common sentiment of this country when he said: "We must fight Germany in Europe with help, that we may not have to fight her in America without help."[3]

In 1917, Senator Smoot, now Chairman of the Finance Committee of the Senate and a member of the U. S. Debt Funding Commission, said:

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[1] "Before the Congress of Constructive Patriotism," Washington, January 25, 1917.
[2] "War Information Series," No. 14, p. 32.
[3] "War Information Series," No. 15, p. 9.

"The $3,000 million which we are perhaps to raise by a bond issue, advancing it to the Allies, I believe, Mr. President, will all be repaid, but if it should not be, or if not one penny of it is returned, I wish to say that every penny of it will be expended for the defense of the principles in which we believe and which we entered the war to uphold. Mr. President, I believe that every dollar that will be expended under the provisions of this bill . . . will be for the benefit of the United States, whether spent by us or by the Allies." Nine years later on March 25, 1926, on the floor of the Senate, Mr. Smoot, now speaking as a member of the World War Foreign Debt Commission, quoted his own previous words as given above, and went on to say: "Those of us who were here in 1917-18 know how we felt then. There was no thought of commercial loans or of investment of our resources in the bonds of the Allies. *We were bound together in a common cause;* money was all we had to give and we gave it freely. It was, of course, expected that if we won the war that some day in some way all obligations of foreign governments which we received

for the sums advanced would be honored and adjusted."[1]

Former Secretary of War Baker in his statement on war debts said: "The fact is that not a penny of this money would have been lent by us or have been borrowed by any of our debtor nations but for the war." Soon after we entered the war, Representative Mann of Illinois said: "We are not prepared to place men in the field. . . . The only way left to us is to help finance those nations who are fighting our enemy. . . . I only hope and pray that the aid thus given may be effectual enough to end the war before we send our boys to the trenches." Senator Kenyon of Iowa said: "I hope one of these loans, if we make it, will never be paid and that we will never ask that it be paid. We owe more to the Republic of France for what it has done for us than we can ever repay." *The Manufacturers' Record* said recently: "We believe that viewed from a moral standpoint we owe the Allies more than they owe to us."[2]

[1] "Combined Annual Reports of the World War Foreign Debt Commission," p. 587.
[2] Sept. 9, 1926.

They say, furthermore, that after we entered the war a year passed before we were able to put an effective fighting force in the trenches and that during this period the Allies continued to bear the brunt of the fighting, losing hundreds of millions of dollars and hundreds of thousands of lives on our behalf, as well as on their own. During this period and subsequently we loaned them billions of dollars. In his report of June 30, 1920, the Secretary of the Treasury said: "The advances made by the United States to the Allies began only at the time of our entry into the war. For substantially a year we had no considerable military forces in Europe, and we were lending the money needed to supply the part purchased from our people of the materials necessary for the armies of the Allies, who were holding the Germans in the meantime." In 1924, General Pershing declared that if it had not been for the Allies "who held the line fifteen months after we entered, it might well have been lost."

They point out that most of this money was advanced by the United States for the purpose of

paying for food, munitions, and other war necessities secured in this country, and that our manufacturers and producers made huge profits from these sales. Moreover, our Government profited greatly from excess profits taxes. They remind us that some of these munitions were later used by French and British gunners to lay down a barrage as our soldiers went over the top.

What right, they ask, has the United States to demand repayment of funds which were used in waging a common war against a common enemy?

It is worth reminding ourselves that the political significance of this point of view does not depend upon its truth or falsity. The important thing at the moment is *what they think is true.* As long as millions of people believe that they were fighting our battles as well as their own, *their feelings will be the same* as if they really were battling on our behalf.[1]

[1] This is not the place to discuss the question of war guilt. My own opinion is that the contention that Germany *alone* was guilty is absolutely untenable. The guilt was divided, perhaps somewhat equally between the two groups of allies. The war was caused by the prevailing system of national rivalries and international anarchy and not by a group of Prussian militarists. See G. Lowes Dickinson's "International Anarchy."

With these facts in mind, it is easy to understand why millions of Allies consider this a *moral* question, whereas our Government views it as a legal matter. "Not for a single moment," says Frank H. Simonds, "has there been the smallest success in establishing in Europe the American contention of the moral validity of the debt."[1] Another American observer has recently written: "Nowhere in Europe are the debts considered as a binding obligation, and no one feels any moral responsibility about paying them."[2]

The whole situation is further complicated by the great disparity in standards of living in the debtor countries and in the United States. Even before the war most Europeans lived on a scale far below that maintained in this country. The destruction and dislocation produced by the war have left a crushing burden upon a considerable proportion of the population of the debtor countries. Under the circumstances it is not surprising that many of these people should look upon us with jealousy and resentment.

[1] See his very disturbing article, "Uncle Shylock in Europe," in the *Review of Reviews*, Sept., 1926, pp. 269-275.
[2] Albert Jay Nock, *Harper's*, Feb., 1927, p. 273.

It is obvious from the financial and economic facts already considered that the war debts can be repaid only with very great difficulty, if at all. The will-to-pay therefore is all-important. In view of all the facts, have we any reason to believe that millions of people, who are already staggering under the burdens left by the war, will exert themselves strenuously for sixty-two years to repay war debts which they believe have no moral validity?

X. The Case for Further Reductions

Our loans to the Allies are frequently divided into pre-armistice and post-armistice loans. This is a legitimate but not the most significant division. "The post-war loans to the Allies," says President Hibben, "were made for a common cause as truly as the loans which were used in providing powder, shot and shell, and the general equipment of war." The really important differentiation is between war loans and commercial loans; that is to say, between loans that were used for the prosecution of the war

and those that were not so used. Much of the money loaned after the armistice was used for the completion of war contracts and the expenses of demobilization and should be considered as part of the war debt. Cancellation of these incomplete war contracts would have had disastrous results in the United States. We preferred to make additional loans rather than have war contracts cancelled. Professor Taussig has calculated that over nine-tenths of the total represents war expenditures. Professor James W. Angell says: "Hardly twenty per cent of the original debts can properly be regarded as in any sense commercial in character, even including all reconstruction and relief operations under the heading 'commercial.'" It is worth reminding ourselves that the Liberty Loan Acts explicitly limited the loans to the purpose of prosecuting the war. *If purely commercial loans were made from these funds the law was violated by the Treasury Department.* Mr. Rathbone, formerly Assistant Secretary of the Treasury, is authority for the statement that our Treasury

"absolutely declined to make post-armistice loans for reconstruction or trade purposes."[1]

Those persons who believe in further reductions or outright cancellation of the war debts, as distinguished from commercial loans, usually emphasize the following points:

1. *The controversy over reparations and debts is seriously hindering friendship and coöperation among the nations and may prove to be a cause of war.* "The present development of European opinion," says Frank H. Simonds, "seems the greatest single menace to my country which I have seen in my lifetime and, given the facts of the case, likely to persist and intensify precisely as the debt settlements endure and the cumulative payments arrive. Despite the theories of many well-informed Americans, I do not believe that this sentiment will diminish or give way to new feelings soon and I do believe that it can have political consequences of well-nigh terrible extent. Nor do I see any solution this side of the abolition of the debt. . . . The issue of the

[1] Quoted in "Inter-Ally Debts and the United States," p. 52.

debts is coming to have almost as dangerous a place in international relations as that of Alsace-Lorraine after the war of 1870."[1]

Mr. Edwin L. James, correspondent of the New York *Times* in Europe, at the end of last year, wrote as follows: "There is little goodwill in Europe for the United States this Christmas-tide. Uncle Sam is the international Scrooge as others see him. He may have been the world's Santa Claus once, but that is all forgotten now. Today he is the object of almost universal and unanimous envy and dislike."

"No American," says Philip Snowden, former Chancellor of the British Exchequer, "who has visited Europe occasionally during the last few years and who has come in touch with public opinion, can have failed to be impressed by the growing antipathy to the United States. However disagreeable it may be to recognize the fact, it would be folly to ignore it." Many competent observers returning from Europe think these statements are overdrawn.

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[1] *Review of Reviews*, Sept., 1926, p. 273.

In the Sermon on the Mount, Jesus made a memorable statement that is worth quoting at this point: "So if you remember, even when offering your gift at the altar, that *your brother has any grievance against you,* leave your gift at the very altar and go away; first be reconciled to your brother, then come back and offer your gift."

2. *Reparations and debts are millstones about the necks of nations and are strangling international trade and commerce.* The whole world would be better off financially and economically if the slate could be wiped clean of all war payments. Creditors and debtors alike would profit thereby. Although Mr. Mellon is opposed to further reductions, his remarks before the Union League Club of Philadelphia on March 24, 1926, are pertinent at this point: "Europe cannot continue to be a great customer unless it be restored to health. If, however, we can help the nations abroad to get on their feet, produce wealth, pay better wages, and buy, we share in their prosperity. . . . I should rather have solvent customers in the future which permit me to run a

profitable business than insist upon terms of debt settlement which will again force my customers into bankruptcy."[1]

3. *The financial results of cancellation would scarcely be felt in the United States.* During the next ten years the payments due average about 250 million dollars annually. If the debts were cancelled entirely the extra taxation which would be necessitated in the United States would average about $2 per person or $10 for each family annually. As a matter of fact, however, the surplus of the Treasury during the current year has been in excess of 635 millions, so that the present rate of taxation would be much more than adequate even if we should receive no debt payments whatever. Moreover, at the rate our national debt is now being paid off it will be wiped out entirely within twenty or twenty-five years, including the amounts loaned to the Allies. "The gross national debt of the United States on July 1, 1927, was $18,511,906,931.85. It was, therefore, $8,084,795,716.16 less than when the debt

[1] "Combined Annual Reports of the World War Foreign Debt Commission," pp. 301, 302.

was at its peak of $26,596,701,648.01 on August 31, 1919."[1]

4. *The relief afforded the debtors by cancellation would be far greater than is indicated by the figures.* The Columbia professors pointed out that "taxation, in proportion to income and population, is between two and three times heavier in England, France and Italy than it is in the United States. Payments that could at best mean a paltry gain for most American taxpayers mean to the overtaxed debtors a crushing load." Due to the fact that prices have gone down considerably, Professor Taussig says: "Our debtors, to make up the same dollar values, must send us 50 per cent more of goods than they received—one half as much again."[2] "It will require," says Philip Snowden, former Chancellor of the British Exchequer, "76,000,000 days of labor each year by British workmen, for the next sixty years, to produce the means to pay America."[3]

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[1] *United States Daily*, July 5, 1927, p. 1269.
[2] *Atlantic Monthly*, March, 1927, p. 396.
[3] *The Nation*, August 4, 1926, p. 104.

The extent of the burden which the war debt places upon Great Britain is further revealed by the following statement of John Maynard Keynes, the well-known English economist: "We shall be paying to the United States each year for sixty years a sum equivalent to two-thirds the cost of our Navy, nearly equal to the State expenditure on Education, more than the total burden of our pre-war debt, more than the total profits of the whole of our mercantile marine and the whole of our mines together. With these sums we could endow and splendidly house every month for sixty years, one university, one hospital, one institute of research, etc., etc. With an equal sacrifice over an equal period we could abolish slums and re-house in comfort the half of our population which is now inadequately sheltered."[1] Mr. E. H. Outerbridge, former President of the New York Chamber of Commerce, has estimated that the annual payments called for in the funding agreements will "repre-

[1] The London *Nation*, August 4, 1923.

sent the effort of 470,000 workers for substantially sixty-two years."[1]

5. *The peoples of all the nations were the victims of their fears and rivalries.* All the European belligerents have suffered far more than have the people of the United States. Even if we cancel the war debts, the war will have cost us relatively far less than the European belligerents. "Even now," said Secretary Mellon in his letter to President Hibben, "an argument can be made in favor of writing off debts incurred after our entry into the war to the extent that they were incurred for contributions to a common cause." If the respective peoples of Europe were deluded into believing they were fighting in defense of homeland and on behalf of humanity, the peoples of the United States were likewise deluded. Is not the slight per capita cost of cancellation a small price for the citizens of the United States to pay for so great a contribution to the healing of the nations?

In 1791, George Washington, in writing to

[1] See "The Bulletin of the New York Chamber of Commerce," December, 1926.

Gouverneur Morris, used words which are pertinent just here: "And I believe it is among nations as with individuals, that the party taking advantage of the distresses of another will lose infinitely more in the opinion of mankind and in subsequent events, than he will gain by the stroke of the moment."[1]

XI. The Case Against Further Reductions

Let us now consider the various arguments against cancellation:[2]

1. *It is frequently asserted that we have already been sufficiently generous.* It is pointed out that citizens of the United States have contributed outright more than 500 million dollars for relief and restoration purposes in Europe. Moreover, we have already discounted heavily the total amount of principal and interest due on the war loans. When we look at the matter closely, however, we discover that the reduction

[1] Quoted in *The World's Work*, June, 1926, p. 126.
[2] For arguments against cancellation, see a pamphlet, entitled "Is America a Shylock?" by Ralph Beaver Strassburger.

in each case is in the rate of interest charged. The funding agreements all provide for the repayment of the entire amounts borrowed, with interest at varying rates. For example, we loaned Belgium 417 million dollars and will receive 727 millions in repayment, if the conditions of the funding agreement are carried out.[1] Even in the case of Italy, who received the most generous treatment, we loaned 2,042 millions and will receive 2,407 millions. The total amount of principal funded in thirteen agreements is 11,522 million dollars, while the total we are to receive in repayment is 22,143 millions. We have been generous with interest, not with principal.

2. *The various Allied nations divided up among themselves vast territories at the peace conference.* A recent writer entitles a very eloquent chapter "What Our Partners Seized."[2] It is true, of course, that France did regain Alsace-Lorraine, Roumania received valuable parts of Hungary, Italy was awarded the Tyrol and

[1] See "World War Debt Settlements," p. 94.

[2] Frederick Bausman, "Facing Europe," pp. 31-45. See also Walter Russell Batsell, "The Debt Settlements and the Future," pp. 105-111.

Trieste, and various other Allies made territorial gains. Moreover, Germany's colonies were taken from her and divided among the Allies. In the latter case, it is important to remember, these colonies were not ceded outright but were handed over for a specified number of years as mandates. This is an important distinction. The various mandatory powers are responsible to the League of Nations and must give periodic accounts of their stewardship. Undoubtedly gross abuses have occurred but the system is an improvement over the old colonial system.

It is frequently asserted that these mandates constitute a source of great wealth for the mandatory nations. This is true if the emphasis is placed on *potential* wealth. Thus far, however, the expenses of administration have in most cases greatly exceeded the financial and economic returns of the mandatory powers. "The total cost of the Syrian mandate to the French people," says Professor E. M. Earle, "has been well in excess of three billion francs . . . from April, 1920, to March, 1926, the British taxpayer has contributed more than three hundred and eighty

million dollars to the maintenance of the mandate of Iraq . . . Americans as a whole may ascribe to the mandated territories an economic value far in excess of reasonable expectations. But where is the American who would accept any of the mandates as part payment of the outstanding obligations of the Allies to the United States?"[1]

3. *The statement is made that there are other ways of transferring large sums of wealth from one country to another than in the form of goods or services.* Mr. Herbert Hoover on several occasions has emphasized the importance of triangular trade as a means of debt payment. "The shipment of European manufactured goods," he says, "of the sort that might compete in our home market, to the tropics, and in turn the shipment to us of tropical goods that will not interfere with our domestic manufacture or employment, is not only possible but is going on all the time." While it must be admitted that substantial pay-

[1] "The Interallied Debts," pp. 215-226. An exceedingly valuable discussion of "The Economic Value of the Mandated Territories in Relation to Interallied Debts."

ments may be made in this way, two important factors diminish the significance of this method. First, to the degree that we exclude imports direct from the debtor countries we limit their capacity to purchase our exports. Second, our export trade to tropical countries is handicapped to the extent that European nations succeed in capturing those markets. Mr. B. M. Anderson, Jr., points out that England alone of the debtor countries "has large export balances with tropical countries which have favorable balances with the United States or with countries producing raw materials which have favorable balances with the United States."[1] France and Italy can avail themselves of this method to a very limited degree.

4. *The debtor countries are all maintaining heavy armaments.*[2] The annual payments which they must make to us constitute only a small fraction of their military and naval budgets. The

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[1] For his valuable discussion of triangular trade, see "The Chase Economic Bulletin," August 24, 1925; see also Herbert F. Fraser, "Foreign Trade and World Politics," pp. 121-154.

[2] For an English defense, on this ground, of the American debt policy, see *Harper's Magazine,* December, 1926, pp. 1-6.

facts are indisputable. We must not assume, however, that this proves their ability to repay the war debts. The French army, for example, is supported with paper francs and most of the money expended stays within France. It is one thing to collect large sums of paper money by taxation, it is quite a different thing, as we have seen, to *transfer* this wealth to another country. Heavy armaments affect this problem of transfer only to the extent that they disturb the ratio of exports over imports. It is entirely possible that a nation may be able to expend large sums of paper money on armaments and yet be unable to transfer large sums to other countries.

The reasons why bankrupt peoples consent to the burden of taxation imposed by military and naval establishments are numerous and complex. *The basic reason is suspicion and fear.* They are afraid to reduce their defenses and so they endure the terrific load of taxes. They will disarm to the degree that they feel a sense of security. Recent events have clearly shown the close relationship between security and disarmament. France is

considered by many Americans as being highly militaristic. Yet France has far less security than has the United States. If there is any justification for national armies and navies, and if the strength of these armed forces should be determined by the relative dangers to which the respective countries are exposed, *France has more valid reasons for her present expenditures than has the United States for her annual budget of nearly* 600 *millions for the current expenses of the army and navy.* The tragedy is that none of the great powers has learned the utter futility of relying upon armaments for protection. It is increasingly apparent that security can be achieved only by international friendship and coöperation.

Another aspect of this problem is frequently emphasized. If France is able to loan large sums to her Allies—Poland, Roumania, Czecho-Slovakia, etc.—why can she not pay her debts to us? The fact is, however, that the total of all such loans between 1919 and 1924 was less than 4 billion francs, approximately 308 million dol-

lars at prevailing exchange rates.[1] Moreover, very little of this amount was advanced in cash; most of it was in the form of munitions and other materials. Thus there was no serious transfer problem. Furthermore, the purpose of these loans was to gain greater security.

5. *The idea is often advanced that any further reduction on our part should be conditioned upon drastic reductions in armaments on the part of the debtor nations.* There is much to be said for this plan, provided it is acceptable to the debtors. However, the effort to coerce them into reducing their armies and navies might be deeply resented. There is some reason to believe that it would. The power to determine the strength of its armaments is one of the so-called sovereign rights of a nation which is most tenaciously held. To surrender this power would seem to many Europeans, and Americans for that matter, to be semi-slavery. It was something of this sort that Clemenceau had in mind a year or so ago when he passionately cried out: "France is not for sale,

[1] "The French Debt Problem," p. 364.

even to her friends. Independent she came to us; independent we shall leave her." Concerning the "Tiger's" statement, Mr. Frank H. Simonds says: "He has spoken because he believes the liberty of France is at stake; and his belief, now transmitted to millions whose suspicions were already awake, has served to crystallize a national opinion which it will prove difficult to modify."

6. *The annual payments called for in the funding agreements constitute only a small fraction of the national income, the annual budget or the total export and import trade of the respective countries.* Therefore, runs the argument, the annual payments do not impose a heavy burden upon the debtors. But the problem is not so simple as it may appear. Even without these payments taxes are almost at the crushing point in most of these countries. In his statement to the Ways and Means Committee on January 4, 1926, Secretary Mellon, in explaining why Italy was not charged the usual rates of interest, said: "The Italian people, however, are now so heavily taxed in proportion to the national income that this additional tax would have forced them below

the level at which life can be supported. Such payments today are impossible." Moreover, the ever-present transfer problem must be solved. Furthermore, the added burden seems very much greater to these impoverished peoples than it really is. Thus morale and the will-to-pay are vitally affected.

7. An argument recently used by the Secretary of the Treasury is that *the Allies will receive more from Germany under the Dawes Plan than will be required to pay us.* This statement led to a controversy with the Chancellor of the British Exchequer. Even if Mr. Mellon was right and this is true of all the debtors "except Great Britain," three important points need to be kept in mind. First, the money being paid by Germany is for reparations—restoration of devastated regions and other war damages. France, for example, has already expended upon her devastated regions far more than she will ever receive from Germany. Mr. George Lechartier, editor of *Journal des Debats,* has estimated that the total amount spent on restoration of private and public properties reached the stupendous

sum of 73 billion francs (between 4 and 5 billion dollars at prevailing exchange rates when expenditures were made), exclusive of pensions and interest to bondholders.[1] The suggestion that the Dawes payments be passed on to us leaves the debtors cold.

Second, there is some reason to believe that the Agent General for Reparations Payments will not be able to transfer the standard payments, which begin next year, from Germany to the Allies, even if the former collects 1,250 million marks for reparations by taxation. On February 16, 1927, the German Finance Minister described the reparations obligations as "gigantic and malevolently influencing the whole budgetary structure." In referring to the payments for 1928 and 1929, he said: "I recognize at the present moment that there is no possibility of our producing these payments, despite our goodwill." Many Allied experts are also warning us that the Dawes payments will probably have to

[1] "Proceedings of the Academy of Political Science," July, 1926, p. 314.

be reduced drastically within the next two years.[1] If this is necessary, the Allies' ability to pay will also be reduced.

Third, Germany's will to pay must be taken into account. The German representatives at Versailles signed the peace treaty under compulsion. The German Government and the German people have never accepted as valid Article 231, the so-called war-guilt clause. They do not now admit and never have done so that Germany alone was responsible for the war. Yet the reparations section of the treaty rests upon this assumption. On March 3, 1921, Mr. Lloyd George said: "For the Allies, German responsibility for the war is fundamental. It is the basis upon which the structure of the Treaty of Versailles has been erected, and if that acknowledgment is repudiated or abandoned, the Treaty is destroyed." The fact is that almost no reputable historian, Allied, neutral or German, who has

[1] For example, see an article by John Maynard Keynes in *The New Republic,* Sept. 29, 1926, pp. 136-137. For optimistic estimates of Germany's ability to continue the Dawes payments, see two articles by Professor James W. Angell, *Foreign Affairs,* Oct., 1924, pp. 85-96; and *Political Science Quarterly,* Sept., 1926, pp. 329-353.

studied the documents, now believes that Germany alone was guilty. Thus the very foundation of reparations is rapidly being undermined. "The young German worker," said Mr. Lloyd George recently, "will not consent to work for many more years at lower wages than French and British workmen in order to pay off the indemnities for a war for which he, at any rate, had no responsibility. To him it will look like having his standard of living permanently reduced in order to pay off the Kaiser's debts." It is wholly unlikely that Germany will continue paying the Allies 600 million dollars annually for the next sixty years.

Fourth, it is wholly unlikely that the rest of the nations will lower their tariff walls sufficiently to enable Germany to increase her export trade sufficiently to make possible the huge reparations payments.

8. *The citizens of the United States will have to pay if the debtors do not.* This is the fact. But, as we have seen, the increased burden will scarcely be felt. Moreover, the costs of collection—in terms of reduced purchasing power,

keener economic rivalry, aggravated political controversy and increased hostility—will probably be in excess of the gains from repayment.

9. *The argument is often advanced that cancellation would undermine the sanctity of international obligations and would only encourage the debtor nations to start further wars.* For example, Mr. Herbert Hoover, in his address at Toledo, said: "The repudiation of these loans would undermine the whole fabric of international good faith." This argument seems to overlook the distinction in the minds of the debtors between war loans and commercial loans. They do not question the validity of the latter, while their whole case is that the war debts are in an utterly different category. "Nothing in the past history of the debtor countries," says Professor J. W. Angell, "indicates that they have ever been unwilling to recognize and pay their honest obligations. The fact that they have unanimously protested against the full payment of our claims should itself make us question very seriously the fundamental justice of those claims."

The latter part of this argument rests on the assumption that Europeans love to fight and are only prevented from waging another war because they lack the required funds. This seems to be a grotesque misrepresentation of the existing situation. The peoples of Europe are no more belligerent than are the people of the United States. They do not rush into war, they stumble and stagger into it because they are seeking security in a futile way. Moreover, at Locarno and Geneva they have taken longer strides toward peaceful means of settling international disputes than our own Government is willing to take.

10. *Cancellation would not do any good, we are frequently told.* "The cancellation of that part of their debts which has not already been cancelled," says Secretary Mellon, "will not of itself change their dislike into affection." That all depends. If we cancel grudgingly the situation would not be greatly improved. Moreover, cancellation by itself would be insufficient. The widening gulf between Europe and the United States can be bridged only by keener understand-

ing, mutual forbearance and constant coöperation. In a former section we have discussed the required steps in some detail. Reconsideration of the debt question, however, seems to be a prerequisite of permanent friendship with Europe.

XII. International Conference on War Debts

An examination of the data of war debts reveals two or three points with crystal clearness. First, the reparations-debt question is not settled. The Dawes Plan gave Europe a breathing spell. But it did not solve the reparations problem. The various funding agreements provide for temporary settlements. But the United States has received very little cash thus far, except from Great Britain. In most cases, the heavy payments do not begin for several years.

Second, reparations and interallied debts are two phases of the one problem of war payments. This fact has long been apparent to students of this question. Recently Secretary Mellon, in his letter to President Hibben, has admitted as much, thus drastically reversing his former posi-

tion. If changes in the Dawes Plan are found necessary within the next few years, as now seems altogether likely, the demand for reconsideration of the war debts to the United States is certain to assume formidable proportions. If our Government insists that the debt question is settled and refuses to discuss the matter further, as in the recent case of Secretary Kellogg's curt note to Chancellor Churchill, deep resentment will be manifested throughout Europe and our relations with that continent will be seriously endangered.

Third, it will make a tremendous difference when and how reconsideration of this question is undertaken. If the United States waits until she is reluctantly compelled to reconsider the whole problem, by which time intense passions will have been stirred on both sides of the Atlantic, any mutually satisfactory adjustment will be immeasurably more difficult to reach. Numerous illustrations make this point clear. A year ago the great powers could have secured terms from China far less drastic than are now being demanded by the Nationalists. There was a time

when England could have settled the Irish question without civil war. Delay proved to be fatal. And so the time element is all-important in dealing with war debts. The longer reconsideration is postponed the more bitter will be the emotions displayed and the more difficult a satisfactory solution will be to secure.

What, then, needs to be done? It seems that *the most desirable next step would be for the President of the United States to call an international conference on war debts, to be participated in by all war debtors and creditors.* This suggestion has been made repeatedly, notably by the Columbia professors in their famous pronouncement. "In our judgment," they said, "the war debts settlements are unsound in principle. Certainly they have created and are fostering a deep sense of grievance against us. We do not urge that the debts be completely cancelled. Whether there should be cancellation in whole or only in part depends on many complicated factors yet to be studied. What we do urge is complete reconsideration in the light of present knowledge. To this end we believe that

an International Conference should be called to review the entire problem of debt payments, and make proposals for readjustment." In this plea they were joined by a large group of Princeton professors.

This conference should re-examine all relevant data—financial, economic, moral, political—and endeavor to reach a mutually satisfactory agreement, as was the case when the Dawes Plan was negotiated. If the ablest representatives of the respective nations gathered together in a scientific and friendly effort to decide what compromise—for compromise it would have to be—would best serve the interests of all parties concerned, it is reasonable to anticipate an agreement which would very greatly improve the international situation. Very much would, of course, depend upon the willingness of American taxpayers to make further sacrifices. Is not the price demanded, however, a small one for so great a return? In what other way could the American people make so notable a contribution to international friendship and coöperation with such a relatively insignificant outlay?

Conclusion

Let us now summarize briefly the present discussion. The dominant economic forces of our time are making the peoples of the earth more and more dependent upon each other, while many of the political factors are erecting barriers between them. Nationalism is both unifying and divisive. It tends to unite its own people and to separate groups from each other. The dogmas of national interest, national sovereignty, national honor and national patriotism lead inevitably to hostility and conflict between the various peoples. The whole situation is made more perilous by reason of the legacy of hatred and chaos left by the World War. As we have seen, the psychological and moral aspects of debts and reparations are quite as important as the economic factors. Emotion is always a more dynamic force than reason.

The United States is inextricably bound up with the rest of the world. Industrialism is binding us to other nations with bands of steel and gold. By nature we are an aggressive and

self-confident people. We usually get what we earnestly desire. With us the emotions of nationalism are very pronounced. We are inordinately proud and are slow to recognize our own faults and excesses. Indeed, we are exceedingly self-righteous and honestly believe that we are ethically superior to other peoples. The natural result is that, with an absolutely clear conscience, we participate in the very practices which call forth our vigorous denunciation when engaged in by other countries. The fact that we are not unique in this respect does not make our unconscious hypocrisy less dangerous. In many of its aspects the present foreign policy of this country is menacing to the peace of the world. We are alienating millions of people in Europe, Latin America and Asia. On both sides the Atlantic and Pacific angry passions are being aroused.

It is imperative, therefore, that a more constructive foreign policy be adopted without delay. In this discussion we have suggested five major ideas as being essential. Permanent international agencies—legislative, administrative and adjudicatory — are indispensable. War

must be delegalized and made a crime under the law of nations. The practice of armed intervention must be abandoned and reliance placed in international coöperation of a non-military character. The Filipinos should be permitted to decide for themselves the question of independence and we should be willing to continue our coöperation with them in ways that are mutually desirable. Realizing the menacing nature of trade barriers, we should seek in every way to remove them.

If we fail to solve the major problems arising out of nationalism, industrialism and imperialism, all resolutions against war, all pledges not to fight and all exhortations on behalf of peace will be of no avail. Whether it is to be war or peace for our children will be determined primarily by what we do about our dollars in other lands.

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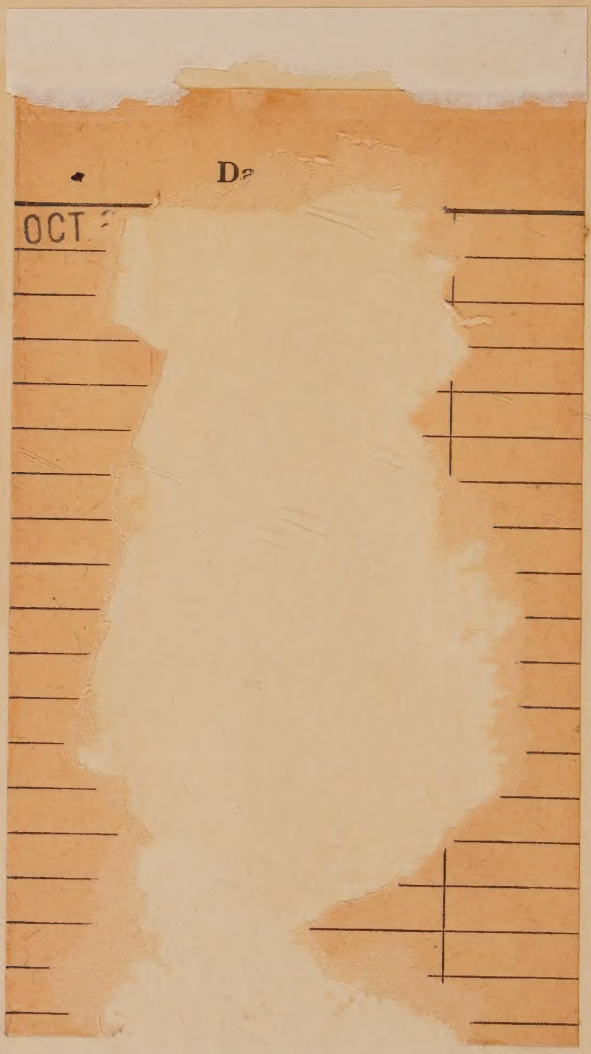
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